
MEMPHASYS LIMITED
ACN 120 047 556
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am AEDT

DATE: Wednesday, 14 February 2024

PLACE: 30 Richmond Road, Homebush West NSW 2140

The business of the Meeting affects your shareholding, and your vote is important.

This Notice of Meeting and accompanying Independent Expert's Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has concluded that the transaction the subject of Resolution 1 of the Notice of Meeting is not fair but reasonable to the non-associated Shareholders of the Company. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm on Monday, 12 February 2024.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES TO PETERS INVESTMENTS ON CONVERSION OF CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:

- (a) the issue of Shares to Peters Investments Pty Ltd (**Peters Investments**) on conversion of the Convertible Notes, the Facilitation Fee and accrued interest under the Convertible Notes; and*
- (b) the increase in the voting power of Peters Investments and its associates as a result of the issue of Shares in the Company under paragraph (a) of this Resolution,*

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

A voting exclusion statement applies to this Resolution. Please see below.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required for Resolution 1 under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

2. RESOLUTION 2 – APPROVAL TO ISSUE OPTIONS FREE ATTACHING TO PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 85,555,288 Options on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – APPROVAL TO ISSUE SHARES AND OPTIONS TO RELATED PARTY UNDER THE PLACEMENT ON CONVERSION OF SHORT-TERM LOANS – MR ANDREW GOODALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 22,464,209 Shares and 11,232,105 Options to Mr Andrew Goodall (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

4. RESOLUTION 4 – APPROVAL TO ISSUE SHARES AND OPTIONS TO RELATED PARTY UNDER THE PLACEMENT ON CONVERSION OF SHORT-TERM LOANS – ALISON COUTTS CONSULTING PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,419,332 Shares and 709,666 Options to Alison Coutts Consulting Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement applies to this Resolution. Please see below.

5. RESOLUTION 5 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY UNDER THE PLACEMENT – MR ANDREW GOODALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 15,005,883 Shares and 7,502,941 Options to Mr Andrew Goodall (or his nominee) on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement applies to this Resolution. Please see below.

6. RESOLUTION 6 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR – DR DAVID ALI

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue Options to Dr David Ali (or his nominee) under the Employee Share Option Plan on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

Voting Prohibition Statement:

Resolution 6 – Issue of Incentive Options to Director – Dr David Ali	<p>A person appointed as a proxy must not vote on the basis of that appointment, on this Resolution if:</p> <p>(a) the proxy is either:</p> <p>(i) a member of the Key Management Personnel; or</p> <p>(ii) a Closely Related Party of such a member; and</p> <p>(b) the appointment does not specify the way the proxy is to vote on this Resolution.</p> <p>However, the above prohibition does not apply if:</p> <p>(a) the proxy is the Chair; and</p> <p>(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.</p>
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Voting Exclusion Statements

The Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 1 – Approval of Issue of Shares to Peters Investments on Conversion of Convertible Notes	The person proposing to make the acquisition and their associates or the persons (if any) from whom the acquisition is to be made and their associates.
Resolution 2 – Approval to issue Options Free Attaching to Placement	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).
Resolution 3 – Approval to Issue Shares to Related Party under the Placement on Conversion of Short-Term Loans – Mr Andrew Goodall	Mr Andrew Goodall (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons
Resolution 4 – Approval to Issue Shares to Related Party under the Placement on Conversion of Short-Term Loans – Alison Coutts Consulting Ltd	Alison Coutts Consulting Pty Ltd (or its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons
Resolution 5 – Issue of Shares and Options to Related Party under the Placement – Mr Andrew Goodall	Mr Andrew Goodall (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 6 – Issue of Incentive Options to Director – Dr David Ali	Any person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question (including Dr David Ali) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

- (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 8415 7300.

Dated: 9 January 2024

By order of the Board



Mr Andrew Metcalfe
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES TO PETERS INVESTMENTS ON CONVERSION OF CONVERTIBLE NOTES

1.1 General

On 26 May 2021, the Company announced that it had secured funding from its two largest shareholders, Peters Investments Pty Ltd (ACN 008 699 287) (**Peters Investments**) (\$1.65 million) and Non-Executive Director Andrew Goodall (\$1.35 million) via subscriptions for an aggregate of 3,000,000 convertible notes in the Company, with a face value of \$1.00 each (**Convertible Notes**).

On 1 September 2021, the Company issued the Convertible Notes following Shareholder approval for the purposes of Listing Rule 7.1 (with respect to the 1,650,000 Convertible Notes issued to Peters Investments) and Listing Rule 10.11 (with respect to the 1,350,000 Convertible Notes issued to Mr Goodall) at a general meeting held on 24 August 2021.

On 19 January 2022, the Company announced the 1,350,000 Convertible Notes held by Mr Goodall had been acquired by Peters Investments. Following the acquisition, Peters Investments holds all 3,000,000 Convertible Notes on issue.

Following Shareholder approval on 28 November 2022, Peters Investments agreed to extend the Maturity Date of the Convertible Notes from 31 December 2022 to 31 December 2023.

On 30 November 2023, the Company announced that it had entered into agreement with Peters Investments (**Deed of Variation**), pursuant to which the Maturity Date of the Convertible Notes would be further extended from 31 December 2023 to 15 February 2024. In addition, pursuant to the Deed of Variation, it was agreed that:

- (a) subject to receipt of Shareholder approval to enable Peters Investment to increase its voting power in the Company (from a starting position above 20%) as a result of the issue of Shares upon conversion of the Convertible Notes (**Conversion Approval**), the Maturity Date of the Convertible Notes is further extended from 15 February 2024 to 31 December 2024; and
- (b) subject to receipt of the Conversion Approval, the following clause be removed from the terms of the Convertible Notes:

“Upon the announcement of a trade sale, scheme of arrangement or takeover (each a Takeover Event) by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act, the noteholders right to convert the Convertible Notes will be suspended until the earlier of (1) completion of the Takeover Event and (2) termination of the Takeover Event.”

A summary of the terms and conditions of the Convertible Notes (as varied by the Deed of Variation) is set out in Schedule 1.

Resolution 1 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to issue Shares to Peters Investments upon any future conversion of the Convertible Notes, the capitalised Facilitation Fees pertaining to the Convertible Notes and any portion of accrued interest payable under the Convertible Notes for which the noteholder elects to convert to Shares, in accordance with the terms of the Convertible Notes (**Conversion Shares**).

1.2 Legislative Regime

(a) **Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs or acts in concert with a person in relation to the entity's business affairs.

(d) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of or control the exercise of a power to dispose of the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%; and
- (ii) a body corporate that the person controls.

1.3 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Peters Investments currently has a relevant interest in 261,564,791 Shares in the Company, reflecting a voting power in the Company of 18.92%, assuming all Securities proposed to be issued at the General Meeting are approved by Shareholders and issued.

In the event that Peters Investments is issued Conversion Shares, the voting power of Peters Investments could increase to up to 40.71%.

Shareholder approval under Item 7 of Section 611 of the Corporations Act is therefore required to enable Peters Investments to be issued the Conversion Shares.

Section 1.4(b) below details the potential maximum increase in voting power of Peters Investments as a result of issue of Conversion Shares.

Pursuant to ASX Listing Rule 7.2 (Exception 16), ASX Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

1.4 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO annexed to this Explanatory Statement.

(a) Identity of the Acquirer

Peters Investments is an Australian proprietary limited company registered in Western Australia on 1 July 1966. Peters Investments is controlled by Bob Peters, a notable Australian horse breeder and businessman.

Peters Investments is presently the largest shareholder of the Company, with a relevant interest in 261,564,791 Shares representing a voting power of 18.92% (assuming all Securities proposed to be issued at the General Meeting are approved by Shareholders and issued).

No associates of Peters Investments currently have or will have a relevant interest in the Company and there is no present intention to issue any Shares or other securities to any associate of Peters Investments.

(b) Relevant Interest and Voting Power

Peters Investments presently has a relevant interest in 261,564,791 Shares representing a voting power of 18.92% (assuming all Securities proposed to be issued at the General Meeting are approved by Shareholders and issued). The Shares are directly held by Peters Investments.

Neither Peters Investments nor its associates have any contract, arrangement or understanding relating to the controlling or influencing of the composition of the Company's board or the conduct of the Company's affairs, nor are any of those persons proposing to act in concert in relation to the Company's affairs.

Conversion Shares may be issued to Peters Investments upon conversion of the following:

- (i) all or part of the aggregate face value of the Convertible Notes, being an amount of up to \$3,000,000;
- (ii) the aggregate value of the capitalised Facilitation Fees paid in connection with the issue of the Convertible Notes, being an amount of \$90,000; and
- (iii) accrued interest on the Convertible Notes, being an amount of up to \$976,300 as at the Maturity Date of 31 December 2024.

The present conversion price of the Convertible Notes is \$0.008, which is subject to an anti-dilution mechanism whereby the conversion price is automatically adjusted down to 80% of the issue price of any future capital raising undertaken by the Company greater than \$1 million prior to the Maturity Date.

The Convertible Notes, Facilitation Fees and accrued interest may be converted to the Shares at the election of the noteholder (Peters Investments) at any time prior to the Maturity Date (being 31 December 2024, provided Resolution 1 is passed), and otherwise subject to the terms and conditions of the Convertible Notes set out in Schedule 1.

The following table sets out the potential maximum increase in the voting power of Peters Investments upon conversion of the Convertible Notes, the Facilitation Fee and \$976,300 worth of accrued interest and assumes:

- (i) completion of the Company's fully underwritten entitlement issue pursuant to the Company's prospectus dated 4 December 2023 (**Rights Issue**);
- (ii) no additional Shares are issued (other than the Securities proposed to be issued under the Rights Issue and following Shareholder approval at the General Meeting);
- (iii) there is no adjustment to the conversion price of \$0.008 per Share in accordance with the terms of the Convertible Notes;
- (iv) 100% of the Convertible Notes are converted into Shares;
- (v) 100% of the Facilitation Fees are converted into Shares; and
- (vi) interest has continued to accrue up to the Maturity Date of 31 December 2024 (equal to an amount of \$976,300) and 100% of the accrued interest is converted into Shares.

Shareholders should note that Peters Investments may increase or decrease its/their voting power prior to the issue of Shares under the Convertible Notes. Any increase or decrease prior to the issue of Shares under the Convertible Notes will have a corresponding impact on the calculation of the maximum increase in the voting power, and the total voting power, of Peters Investments.

Table 1 - Conversion of Convertible Note

	All Shareholders	Non-associated Shareholders	Peters Investments
Shareholding as at 31 December 2023	1,130,630,958	869,066,167	261,564,791
Rights Issue Shares	213,226,752	213,226,752	-
Shares issued to Mr Goodall (Resolutions 3 and 5)	22,464,209 15,005,883	22,464,209 15,005,883	-
Shares issued to Alison Coufts Consulting Pty Ltd (Resolution 4)	1,419,332	1,419,332	-
Total shareholding	1,382,747,134	1,121,182,343	261,564,791
Voting Power	100%	81.08%	18.92%
Conversion of Convertible Notes, Facilitation Fee and accrued interest (\$4,066,300) at a conversion price of \$0.008	508,287,500	-	508,287,500
Post-conversion shareholding	1,891,034,634	1,121,182,343	769,852,291
Post-conversion Voting Power	100%	59.29%	40.71%

Table 1 shows that if the Convertible Notes is fully converted, the relevant interest of Peters Investments would increase from 18.92% to a maximum of 40.71% while the collective relevant interests of non-associated Shareholders would reduce from 81.08% to 59.29%.

(c) Change in conversion price

Under the terms of the Convertible Notes, the number of Shares issued to Peters Investments on conversion of the Convertible Notes, the Facilitation Fee and the accrued interest, will ultimately depend on the applicable conversion price, with the conversion price being the lower of:

- (i) \$0.06; and
- (ii) a 20% discount to the issue price of shares and/or the exercise price of any options offered under any capital raising(s) completed by the Company of greater than \$1,000,000 prior to the Maturity Date.

By virtue of paragraph (ii) above, the conversion price as at the date of this Notice is \$0.008.

The following table shows the effect of a change in the conversion price on the maximum voting power that Peters Investments and its associates may obtain.

	Conversion Price		
	\$0.004	\$0.006	\$0.008
Conversion of Convertible Notes, Facilitation Fee and accrued interest (\$4,066,300)	1,016,575,000	677,716,667	508,287,500
Post-conversion shareholding	1,278,139,791	939,281,458	769,852,291
Post-conversion Voting Power	53.27%	45.59%	40.71%

(d) **Reasons for the proposed issue of securities**

As set out in Section 1.1 of this Explanatory Statement, the Company is seeking Shareholder approval to permit Peters Investments to increase its voting power above 20% as a result of any future issue of Shares upon conversion of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest), in accordance with their terms.

(e) **Date of proposed issue of securities**

The Conversion Shares will be issued upon conversion of all or part of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest), at the election of Peters Investments at any time after the Meeting up to the Maturity Date of the Convertible Notes.

(f) **Material terms of proposed issue of securities**

The Conversion Shares will rank *pari passu* with the other Shares of the Company.

(g) **Peters Investments' Intentions**

Peters Investments has informed the Company that as at the date of this Notice of Meeting and on the basis of the facts and information available to it, that it:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company;
- (iii) has no present intention regarding the future employment of the present employees of the Company;
- (iv) has no present intention to redeploy any fixed assets of the Company;
- (v) has no present intention to transfer any property between the Company and Peters Investments;
- (vi) has no present intention to change the Company's existing policies in relation to financial matters or dividends; and

(vii) has no present intention to change the Board.

These present intentions may change as new information becomes available, as circumstances change or in light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

The Company notes that Peters Investments does not presently have any representative on the Company's Board and based on the current conversion price of the Convertible Notes, will not be able to exercise effective control over the Company after any future conversion of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest).

(h) **Interests and Recommendations of Directors**

None of the current Board members have a material personal interest in the outcome of Resolution 1.

Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report, all of the Directors consider that the issue of the Conversion Shares is in the best interests of the Company.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

Each of the Directors recommends that Shareholders vote in favour of Resolution 1.

(i) **Capital Structure**

Details of the effects to the Company's capital structure resulting from the issue of the Conversion Shares is set out in Section 1.5(b) above.

1.5 Advantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) as Peters Investments may convert some or all of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest) at any time prior to the Maturity Date, if the Company is not able to issue the requisite Conversion Shares to Peters Investments upon receipt of a valid conversion request, it will be an event of default under the Convertible Notes and would trigger a right for Peters Investments to redeem the Convertible Notes for cash;
- (b) the issue of Conversion Shares to Peters Investments upon conversion of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest) will satisfy the Company's obligations under the Convertible Notes and preserve the Company's cash reserves;
- (c) the conversion of the Convertible Notes (together with the capitalised Facilitation Fees and accrued interest) will reduce the Company's

existing debt, which would result in a more favourable capital structure for future undertakings;

- (d) receipt of shareholder approval for Resolution 1 is a condition precedent to Peters Investments agreeing to extend the Maturity Date of the Convertible Notes from 15 February 2024 to 31 December 2024. The extension to the Maturity Date defers the date by which the Convertible Notes are redeemable (unless converted to Shares earlier) allowing the Company to preserve its capital in the short to medium term to focus on its business objectives;
- (e) Peters Investments is a strong institutional Shareholder partner who has supported the Company through numerous capital raisings to date; and
- (f) although BDO has concluded that the issue of Shares to Peters Investments, the subject of Resolution 1, is not fair, based on its assessment of the value under ASIC Regulatory Guide 111, it has concluded that such an issue is reasonable to non-associated Shareholders after considering other significant factors, including the advantages and disadvantages of the transaction.

1.6 Disadvantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the issue of the Conversion Shares to Peters Investments will increase the voting power of Peters Investments from 18.92% up to approximately 40.71%, reducing the voting power of non-associated Shareholders in aggregate from 81.08% to approximately 59.29%;
- (b) Peters Investments may not continue to be a supportive Shareholder and may wish to sell its Shares in the Company;
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of any issue of Shares pursuant to a conversion election; and
- (d) BDO has concluded that the issue of Shares to Peters Investments, the subject of Resolution 1, is not fair based on its assessment of the value of a Company Share prior to the transaction and after the transaction.

1.7 Independent Expert's Report – Resolution 1

The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 1 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 1 are not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2. RESOLUTION 2 – APPROVAL TO ISSUE OPTIONS FREE ATTACHING TO PLACEMENT SHARES

2.1 Background

As announced on 4 December 2023, the Company received firm commitments from professional and sophisticated investors for a placement of 210,000,000 Shares at an issue price of \$0.01 per Share (**Placement Shares**) to raise approximately \$2,100,000 (before costs) (**Placement**).

Pursuant to the terms of the Placement, the Company proposed to issue the Placement Shares together with one (1) free attaching Option (exercisable at \$0.02 on or before the date which is two (2) years from the date of issue) for every two (2) Placement Shares subscribed for (**Placement Options**).

The Company issued 171,110,576 Placement Shares on 11 December 2023 pursuant to the Company's available placement capacity under ASX Listing Rules 7.1 and 7.1A.

The Placement Options, free attaching with the Placement, are being issued, subject to Shareholder approval, under the Company's prospectus lodged with ASIC on 4 December 2023.

The Placement Options will be issued on the terms and conditions set out in Schedule 2.

The Company engaged the services of Canaccord Genuity (Australia) Limited (ACN 075 071 466) (**Canaccord**), to manage the issue of the Placement. The Company will pay Canaccord a fee of 6% (exclusive GST) on the amount raised under the issue of the Placement.

The Company is also proposing to issue 37,470,092 Placement Shares and 18,735,047 Placement Options to former Director, Mr Andrew Goodall, which includes Securities issued under the Placement on conversion of loan amounts and accrued interest of \$224,642 owed to Mr Goodall. The Company is seeking Listing Rule 10.11 approval for the issue of the Securities under the Placement to Mr Goodall pursuant to Resolutions 3 and 5.

Further details in respect of the Placement are set out in the ASX announcement released by the Company on 4 December 2023.

2.2 General

As set out above, the Company is proposing to issue up to 85,555,288 free attaching Placement Options to professional and sophisticated investors under the Placement.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The proposed issue of the Placement Options does not fall within any of the exceptions set out in Listing Rule 7.2 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

2.3 Technical information required by Listing Rule 14.1A

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Placement Options. In addition, the issue of the Placement Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Placement Options and the Company may be forced to repay some or all of the funds raised under the Placement.

Resolution 2 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the Placement Options.

2.4 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the Placement Options will be issued to participants in the Placement, who were professional and sophisticated investors who are either (1) clients of Canaccord (identified via a bookbuild process) or (2) third party lenders from the Directors' personal networks that were converting debt to equity under the Placement;
- (b) in accordance with paragraph 7.2 of ASX Guidance Note 21, the Company confirms that none of the recipients will be:
 - (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (ii) issued more than 1% of the issued capital of the Company;
- (c) the maximum number of Placement Options to be issued is 85,555,288. The terms and conditions of the Placement Options are set out in Schedule 2;
- (d) the Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Placement Options will occur on the same date;
- (e) the Placement Options will be issued free attaching on the basis of one (1) Placement Option for every two (2) Placement Shares subscribed for. The Company will not receive any consideration for the issue of the Placement Options (other than in respect of funds received on exercise of the Placement Options);
- (f) the purpose of the issue of the Placement is to raise approximately \$2,100,000 (before costs). The Company intends to apply the funds raised from the issue towards the development of the RoXsta, Felix and Al-Port projects, settlement of debts and creditors and for general working capital, including salaries, consultancy fees and corporate overheads;
- (g) the Placement Options are not being issued under an agreement; and

- (h) the Placement Options are not being issued under, or to fund, a reverse takeover.

3. **RESOLUTION 3 AND 4 – APPROVAL TO ISSUE SHARES AND OPTIONS TO RELATED PARTIES UNDER THE PLACEMENT ON CONVERSION OF SHORT-TERM LOANS**

3.1 **General**

Between August 2023 and November 2023, the Company entered into a number of short-term loan arrangements with unrelated third parties, as well as former Directors, Andrew Goodall and Alison Coutts (through her wholly controlled entity, Alison Coutts Consulting Pty Ltd) (**Related Party Lenders**), for an aggregate of \$513,000 with accruing interest of 12% per annum from the date of receipt of funds by the Company (**Short-Term Loans**).

The Company has entered into debt conversion agreements with each of the unrelated third parties and the Related Party Lenders to convert the Short-Term Loans into Shares and free-attaching Options under the Placement (**Debt Conversion Agreements**).

An aggregate of \$511,747 worth of the Short-Term Loans (and accrued interest) will convert to equity under the Debt Conversion Agreements, which comprises the entirety of the Short-Term Loans, excluding a loan of \$11,000 (and accrued interest) from Alison Coutts, which shall be repaid in cash.

The Debt Conversion Agreements entered into with the Related Party Lenders were on the same terms as those entered into with the unrelated third parties.

The total amounts (including accrued interest up to 11 December 2023) owed by the Company to the Related Party Lenders to be converted into Securities are:

- (a) \$224,642 owed to Mr Andrew Goodall to be converted into 22,464,209 Placement Shares and 11,232,105 Placement Options; and
- (b) \$14,193 owed to Alison Coutts Consulting Pty Ltd to be converted into 1,419,332 Placement Shares and 709,666 Placement Options,

(together, the **Debt Conversion Securities**).

The Debt Conversion Securities will be issued on the same terms as the Placement Shares and Placement Options issued to unrelated participants in the Placement.

Resolutions 3 and 4 seek Shareholder approval for the issue of Debt Conversion Securities to the Related Party Lenders.

3.2 **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue under Resolution 3 will result in the issue of the Debt Conversion Securities which constitutes giving a financial benefit, and Mr Goodall is a related party of the Company by virtue of being a former Director who held office within the last six months.

The issue under Resolution 4 will result in the issue of the Debt Conversion Securities which constitutes giving a financial benefit, and Alison Coutts Consulting Pty Ltd is a related party of the Company by virtue of being an entity wholly controlled by former Director, Ms Alison Coutts, who held office within the last six months.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue because the terms of the Short-Term Loans and Debt Conversion Agreements with the Related Party Lenders were identical to the terms of the Short-Term Loans and Debt Conversion Agreements with the non-related party lenders, which were negotiated at arm's length.

3.3 ASX Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

The issue of the Debt Conversion Securities falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolutions 3 and 4 seek Shareholder approval for issue of the Debt Conversion Securities under and for the purposes of Listing Rule 10.11.

3.4 Technical information required by Listing Rule 14.1A

If Resolutions 3 and 4 are passed, the Company will be able to proceed with the issue of the Debt Conversion Securities within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will satisfy the Short-Term Loans by the Company to the Related Party Lenders. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Debt Conversion Securities (because approval is being obtained

under Listing Rule 10.11), the issue of the Debt Conversion Securities will not use up any of the Company's 15% annual placement capacity.

If Resolutions 3 and 4 are not passed, the Company will not be able to proceed with the issue of the Debt Conversion Securities, and the Company will be forced to repay the Short-Term Loans using its current cash reserves, limiting the ability of the Company to advance its previously announced strategic objectives.

3.5 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 3 and 4:

- (a) the Debt Conversion Securities will be issued to:
 - (i) Mr Andrew Goodall (or his nominee), who falls within the category set out in Listing Rule 10.11.1, as Mr Goodall is a related party of the Company by virtue of being a former Director who held office within the last six months; and
 - (ii) Alison Coutts Consulting Pty Ltd (or its nominee), who falls within the category set out in Listing Rule 10.11.1, as Alison Coutts Consulting Pty Ltd is a related party of the Company by virtue of being an entity wholly controlled by former Director, Ms Alison Coutts, who held office within the last six months;
- (b) 22,464,209 Placement Shares and 11,232,105 Placement Options will be issued to Mr Goodall (or his nominee);
- (c) 1,419,332 Placement Shares and 709,666 Placement Options will be issued to Alison Coutts Consulting Pty Ltd (or its nominee);
- (d) the Debt Conversion Securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (e) the Debt Conversion Securities will be issued for nil cash consideration, in satisfaction of debts owed by the Company to the Related Party Lenders, on the same terms as the Placement Shares and Placement Options issued to unrelated participants in the Placement;
- (f) the Debt Conversion Securities to be issued are not intended to remunerate or incentivise the Related Party Lenders;
- (g) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (h) the terms and conditions of the Placement Options are set out in Schedule 2;
- (i) no funds will be raised from the issue as the Debt Conversion Securities are being issued in satisfaction of debts owed by the Company to the Related Party Lenders;
- (j) a voting exclusion statement is included in Resolutions 3 and 4 of the Notice.

4. RESOLUTION 5 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY UNDER THE PLACEMENT – MR ANDREW GOODALL

4.1 General

As set out in Section 2.1 above, former Director Mr Andrew Goodall wishes to participate in the Placement on the same terms as unrelated participants in the Placement (**Participation**).

Accordingly, Resolution 5 seeks Shareholder approval for the issue of 15,005,883 Placement Shares and 7,502,941 Placement Options (**Participation Securities**) to Mr Andrew Goodall (or his nominee), as a result of the Participation on the terms set out below.

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of the Participation Securities which constitutes giving a financial benefit and Mr Andrew Goodall, is a related party of the Company by virtue of being a former Director who held office within the last six months.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Participation Securities will be issued to Mr Andrew Goodall (or his nominee) on the same terms as the Placement Shares and Placement Options issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

4.3 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to

10.11.3; or

- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The Participation falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 5 seeks Shareholder approval for the Participation under and for the purposes of Listing Rule 10.11.

4.4 Technical information required by Listing Rule 14.1A

If Resolution 5 is passed, the Company will be able to proceed with the issue of the Participation Securities under the Participation within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will raise additional funds which will be used in the manner set out in Section 2.4(f) above. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Participation Securities in respect of the Participation (because approval is being obtained under Listing Rule 10.11), the issue of the Participation Securities will not use up any of the Company's 15% annual placement capacity.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of the Participation Securities under the Participation and no further funds will be raised in respect of the Placement.

4.5 Technical Information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) the Participation Securities will be issued to Mr Andrew Goodall (or his nominee), who falls within the category set out in Listing Rule 10.11.1, as Mr Andrew Goodall is a related party of the Company by virtue of being a former Director who held office within the last six months;
- (b) up to 15,005,883 Placement Shares and 7,502,941 Placement Options will be issued to Mr Andrew Goodall (or his nominee) as a result of the Participation;
- (c) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the terms and conditions of the Placement Options are set out in Schedule 2;
- (e) the Participation Securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Participation Securities will be issued on the same date;

- (f) the issue price will be \$0.01 per Placement Share, being the same issue price as Placement Shares issued to other participants in the Placement. The Company will not receive any other consideration for the issue of the Placement Shares. The Placement Options will be issued free attaching on the basis of one (1) Placement Option for every two (2) Placement Shares subscribed for;
- (g) the purpose of the issue of Participation Securities under the Participation is to raise capital, which the Company intends to apply towards the development of the RoXsta, Felix and AI-Port projects, settlement of debts and creditors and for general working capital, including salaries, consultancy fees and corporate overheads;
- (h) the Participation Securities to be issued under the Participation are not intended to remunerate or incentivise the Director;
- (i) the Participation Securities are not being issued under an agreement; and
- (j) a voting exclusion statement is included in Resolution 5 of the Notice.

5. RESOLUTION 6 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR – DR DAVID ALI

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue Options to Dr David Ali (or his nominee) pursuant to the Employee Share Option Plan (**Plan**) and on the terms and conditions set out below (**Incentive Options**).

The Company proposes to issue Incentive Options to Dr Ali (or his nominee) to the value of \$53,700, based on a Black-Scholes valuation as at the date of the General Meeting, using a deemed Share price equal to the volume weighted average price of Shares for the 30 trading days prior to the date of the General Meeting.

The below is an illustrative example of the number of Incentive Options that may be issued pursuant to Resolution 6, based on the following assumed inputs to the Black-Scholes model:

Assumed Share price (30-day VWAP as at date of General Meeting)	\$0.0120
Exercise Price	\$0.0168
Expected Term (Years)	3
Risk-free Rate	3.69%
Volatility	154.5%
Value of one Incentive Option	\$0.00959
Aggregate value of Incentive Options	\$53,750
Number of Incentive Options to be granted	5,604,011

5.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Incentive Options to Dr David Ali (or his nominee) constitutes giving a financial benefit and Dr David Ali is a related party of the Company by virtue of being a Director.

The Directors (other than Dr David Ali) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Incentive Options, because the agreement to issue the Incentive Options, reached as part of the remuneration package for Dr David Ali, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

5.3 Listing Rule 10.14

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire equity securities under an employee incentive scheme without the approval of the holders of its ordinary securities:

- 10.14.1 a director of the entity;
- 10.14.2 an associate of a director of the entity; or
- 10.14.3 a person whose relationship with the entity or a person referred to in Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by security holders.

The issue of Incentive Options to Dr David Ali falls within Listing Rule 10.14.1 and therefore requires the approval of Shareholders under Listing Rule 10.14.

Resolution 6 seeks the required Shareholder approval for the issue of the Incentive Options under and for the purposes of Listing Rule 10.14.

5.4 Technical information required by Listing Rule 14.1A

If Resolution 6 is passed, the Company will be able to proceed with the issue of the Incentive Options to Dr David Ali under the Plan within three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Incentive Options (because approval is being obtained under Listing Rule 10.14), the issue of the Incentive Options will not use up any of the Company's 15% annual placement capacity.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Incentive Options to Dr David Ali under the Plan and the Company will be forced to find alternate avenues to incentivise Dr David Ali.

5.5 Technical information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to Resolution 6:

- (a) the Incentive Options will be issued to Dr David Ali (or his nominee), who falls within the category set out in Listing Rule 10.14.1 by virtue of Dr David Ali being a Director;
- (b) the maximum number of Incentive Options to be issued will be calculated via a Black-Scholes pricing model as at the date of the General Meeting, as noted in Section 5.1 above;
- (c) the current total remuneration package for Dr David Ali is \$281,650, comprising of director's salary of \$215,000, a superannuation payment of \$23,650 and short-term incentive of \$43,000. If the Incentive Options are issued, the total remuneration package of Dr David Ali will increase by \$53,750 to \$335,400, being the value of the Incentive Options (based on the Black Scholes methodology). In addition, Dr Ali will receive a stipend of \$5,000 per month whilst employed in the position of acting Chief Executive Officer of the Company;
- (d) no Options have previously been issued to Dr David Ali under the Plan;
- (e) a summary of the material terms and conditions of the Incentive Options is set out in Schedule 3;
- (f) the Incentive Options are unquoted Options. The Company has chosen to issue Incentive Options to Dr David Ali for the following reasons:
 - (i) the Incentive Options are unquoted; therefore, the issue of the Incentive Options has no immediate dilutionary impact on Shareholders;
 - (ii) the issue of Incentive Options to Dr David Ali will align the interests of Dr David Ali with those of Shareholders;
 - (iii) the issue of the Incentive Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Dr David Ali; and
 - (iv) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options on the terms proposed;
- (g) the Company values the Incentive Options at \$53,750 based on the Black-Scholes methodology;
- (h) the Incentive Options will be issued to Dr David Ali (or his nominee) no later than 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Incentive Options will be issued on one date;

- (i) the issue price of the Incentive Options will be nil, as such no funds will be raised from the issue of the Incentive Options (other than in respect of funds received on exercise of the Incentive Options);
- (j) a summary of the material terms and conditions of the Plan is set out in Schedule 4;
- (k) no loan is being made to Dr David Ali in connection with the acquisition of the Incentive Options;
- (l) details of any Options issued under the Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14; and
- (m) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Options under the Plan after Resolution 6 is approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

GLOSSARY

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

BDO or the **Independent Expert** means BDO Corporate Finance (WA) Pty Limited.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Canaccord means Canaccord Genuity (Australia) Limited (ACN 075 071 466).

Chair means the chair of the Meeting.

Company means Memphasys Limited (ACN 120 047 556).

Constitution means the Company's constitution.

Conversion Shares has the meaning given to it in Section 1.1.

Convertible Notes has the meaning given to it in Section 1.1.

Convertible Note Agreements means the two separate convertible note agreements with Peters Investments and Andrew Goodall dated 25 May 2021.

Corporations Act means the *Corporations Act 2001* (Cth).

Debt Conversion Agreements means the debt conversion agreements with each of the unrelated third parties and the Related Party Lenders to convert the Short-Term Loans into Shares and free-attaching Options under the Placement.

Debt Conversion Securities has the meaning given to it in Section 3.1.

Deed of Variation has the meaning given to it in Section 1.1.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Facilitation Fee means a fee of 3% of the gross value of the Convertible Notes issued under the Convertible Note Agreement, being an amount of \$90,000.

General Meeting or **Meeting** means the meeting convened by the Notice.

Incentive Options has the meaning given to it in Section 5.1.

Listing Rules means the Listing Rules of ASX.

Maturity Date means 15 February 2024, and subject to and conditional upon receipt of Shareholder approval for Resolution 1 at the Meeting, with effect from the date the Shareholder approval is received, the maturity date will be further extended from 15 February 2024 to 31 December 2024.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Participation has the meaning given to it in Section 4.1.

Participation Securities has the meaning given to it in Section 4.1.

Peters Investments means Peters Investments Pty Ltd (ACN 008 699 287).

Placement means the placement announced on 4 December 2023, of 210,000,000 Shares at an issue price of \$0.01 per Share to raise approximately \$2,100,000 (before costs).

Placement Option means an option to acquire a Share with the terms and conditions set out in Schedule 2.

Placement Shares means the Shares issued under the Placement at an issue price of \$0.01 per Share.

Plan means the Company's Employee Share Option Plan.

Proxy Form means the proxy form accompanying the Notice.

Related Party Lenders means Andrew Goodall and Alison Coutts (through her wholly controlled entity, Alison Coutts Consulting Pty Ltd).

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Short-Term Loans means the short-term loan arrangements with unrelated third parties, as well as the Related Party Lenders, for an aggregate of \$513,000 with accruing interest of 12% per annum from the date of receipt of funds by the Company.

SCHEDULE 1 – MATERIAL TERMS AND CONDITIONS OF CONVERTIBLE NOTES

- (a) The Convertible Notes are unsecured.
- (b) Interest rate of 8% per annum, payable in cash or Shares at the Convertible Note holder's election.
- (c) A fee of 3% of gross value of Convertible Notes is to be added to the gross value of the Convertible Notes (**Facilitation Fee**) and capitalised into Shares.
- (d) Maturity Date: 15 February 2024, and subject to and conditional upon receipt of Shareholder approval for Resolution 1 at the Meeting, with effect from the date the Shareholder approval is received, the maturity date is further extended from 15 February 2024 to 31 December 2024.
- (e) Conversion Price: the lower of:
 - (i) \$0.06; and
 - (ii) a 20% discount to the issue price of shares and/or the exercise price of any options offered under any capital raising(s) completed by the Company of greater than \$1,000,000 prior to the Maturity Date.

By virtue of paragraph (ii) above, the conversion price as at the date of this Notice is \$0.008.
- (f) Conversion of some or all of the Convertible Notes can occur at any time prior to the Maturity Date. If the Convertible Note holder wishes to be repaid in cash rather than convert, such an election must be made no less than 90 days prior to the Maturity Date.
- (g) If the Convertible Notes have not been redeemed or converted prior to the Maturity Date, the Company must repay the outstanding amount to the holder in cash on the Maturity Date and the Convertible Notes will be deemed to have been redeemed by the Company on that date.
- (h) Default events:
 - (i) the Company breaches the Convertible Note and fails to rectify such a breach within 5 business days;
 - (ii) breach of warranty by the Company; and
 - (iii) any form of winding up, receivership, insolvency or compromise event is entered into by the Company.
- (i) On the occurrence of a default event, the Convertible Note holder may, by notice to the Company either:
 - (i) require repayment of all moneys owing, and the Company must immediately pay those moneys (including accrued interest and fees); and/or
 - (ii) cancel its obligations (if any) under the Convertible Note Agreement.

- (j) If at any time there is any reorganisation of the issued capital of the Company, then the number of Convertible Notes will be adjusted as appropriate and consistent with that reorganisation.

SCHEDULE 2 – TERMS AND CONDITIONS OF PLACEMENT OPTIONS

(a) **Entitlement**

Each Placement Option entitles the holder to subscribe for one Share upon exercise of the Placement Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Placement Option will be \$0.02 (**Exercise Price**).

(c) **Expiry Date**

Each Placement Option will expire at 5:00 pm (AEDT) on the date which is two (2) years from the date of issue (**Expiry Date**). A Placement Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Placement Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Placement Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Placement Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Placement Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Placement Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Placement Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Placement Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Placement Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Placement Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Placement Options without exercising the Placement Options.

(k) **Change in exercise price**

A Placement Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Placement Option can be exercised.

(l) **Transferability**

The Placement Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 3 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

(a) **Entitlement**

Each Incentive Option entitles the holder to subscribe for one Share upon exercise of the Incentive Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Incentive Option will be equal to a 40% premium to the 30-day volume weighted average price of the Company's Shares prior to the date of the General Meeting (**Exercise Price**).

(c) **Expiry Date**

Each Incentive Option will expire at 5:00 pm (AEDT) on the date which is three years from the date of issue (**Expiry Date**). An Incentive Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Incentive Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Incentive Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Incentive Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Incentive Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Incentive Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Incentive Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Incentive Options.

If a notice delivered under (g)(g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Incentive Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options without exercising the Incentive Options.

(k) **Change in exercise price**

An Incentive Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Incentive Option can be exercised.

(l) **Transferability**

The Incentive Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 4 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN

The key terms of the Company's Employee Share Option Plan (**Plan**) are summarised as follows:

- (a) **Award:** Eligible Employees may be issued with options or performance rights giving the Eligible Employee the option or right, as applicable, to acquire one Share in the capital of the Company.
- (b) **Eligibility:** Participants in the Plan may be:
 - (i) a Director (whether executive or non-executive) of the Company or any Subsidiary of the Company (each a **Group Company**);
 - (ii) a full or part time employee of any Group Company;
 - (iii) a casual employee or contractor of a Group Company; or
 - (iv) a prospective Participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a Participant under subparagraphs (i), (ii), or (iii) above; or
 - (v) a person declared by the Board to be eligible to receive a grant of Award under the Plan,

(**Eligible Employees**). In this Schedule, Eligible Employee to whom Awards have been granted under the Plan are referred to as "**Participants**".
- (c) **Invitation:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Employee to apply for, or participate in a grant of, Awards upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- (d) **Plan limit:** The Company may only make an offer under the Plan if the Company reasonably believes that the offer would not cause the Company to exceed the issue cap prescribed by section 1100V of the Corporations Act.
- (e) **Issue price:** The Board will determine the issue price (if any) payable in respect of each Award as set out in an Invitation.
- (f) **Vesting Conditions:** An Award may be made subject to Vesting Conditions as determined by the Board in its discretion and as specified in an Invitation, or subsequently amended by the Board.
- (g) **Vesting:** The Board may, in its absolute discretion by written notice to a Participant, resolve to waive any of the Vesting Conditions applying to Awards.
- (h) **Exercise Price:** The Board will determine the exercise price (if any) payable in respect of each Award as set out in an Invitation.
- (i) **Exercise Conditions:** An Award may be made subject to Exercise Conditions as determined by the Board in its discretion and as specified in an Invitation, or subsequently amended by the Board.
- (j) **Cash payment in lieu:** Where the terms of an Award permit, the Board may in its discretion make a cash payment to a Participant in lieu of an allocation of Shares.

- (k) **Bad Leaver:** An Eligible Employee who ceases to be an employee of or engaged by a Group Company in circumstances where they are not a Good Leaver, including by way of a dismissal, will be deemed to be a Bad Leaver.
- (l) **Good Leaver:** A Good Leaver is an Eligible Employee whose employment or other engagement with a Group Company ceases due to:
- (i) redundancy where the Eligible Employee has otherwise not rejected any reasonable development opportunities which may have been offered to them by the Company or a member of the Group;
 - (ii) resignation, unless the Eligible Employee commences employment or holds the office of a consultant to, or director of, a competitor;
 - (iii) death or disability to the extent that the Eligible Employee will be unable to ever perform their duties; and
 - (iv) any other situation where the Board determined the Eligible Employee as a Good Leaver.
- (m) **Lapse of an unvested Award:** Subject to alteration or amendment by the Board, an unvested Award will lapse upon the earlier to occur of:
- (i) a date or a circumstance specified in an Invitation in respect of lapsing or expiry of an Award;
 - (ii) an unauthorised dealing in the Award;
 - (iii) the Participant ceasing to be employed or otherwise engaged by a Group Company;
 - (iv) failure to meet the Vesting Conditions applicable to the Award within the specified period; and
 - (v) the Board exercising its Clawback discretion (see paragraph (o) below).
- (n) **Lapse of a vested Award:** Subject to alteration or amendment by the Board, a vested Award will lapse upon the earlier to occur of:
- (i) a date or a circumstance specified in an Invitation in respect of lapsing or expiry of an Award;
 - (ii) an unauthorised dealing in the Award;
 - (iii) failure to meet the Exercise Conditions applicable to the Award within the specified period;
 - (iv) 60 days after the Participant ceasing to be employed or otherwise engaged by a Group Company as a Bad Leaver, if not exercised within those 60 days; and
 - (v) the Board exercising its Clawback rights (see paragraph (o) below).
- (o) **Clawback:** The Board will have discretion to reduce or clawback Awards where the Board determines that the Participant has acted fraudulently or dishonestly or in breach of certain obligations owed to the Group to ensure that no inappropriate benefit is obtained by the Participant. The discretion will apply to

unvested Awards and Shares allocated or cash paid in connection with vested Awards.

- (p) **Maximum exercise period:** No Award will be exercisable for a period which is greater than 10 years from the date of grant unless otherwise determined by the Board.
- (q) **Cashless exercise:** An Invitation may permit cashless exercise of an Award.
- (r) **Shares:** Shares resulting from the exercise of the Awards shall, subject to any restrictions on dealing with Shares (refer paragraph (s)) from the date of issue, rank on equal terms with all other Shares on issue.
- (s) **Restrictions on Dealing with Shares:** The Board may, in its discretion, impose a restriction on Dealing with Shares allocated on exercise of an Award (including a holding lock or requiring that the Shares be held in trust). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction.
- (t) **No Participation Rights:** There are no participating rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards.
- (u) **Change in exercise price of number of underlying securities:** Unless specified in the Invitation and subject to compliance with the ASX Listing Rules, an Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
- (v) **Takeovers, Control Events and Business Sales:** In the event of a takeover or other control event or a sale of all or substantially all of the assets and business undertaking of the Group, the Board may in its discretion determine that, all or a specified number of a Participant's unvested Awards vest or in the case of exercisable Awards, may be exercised, having regard to all relevant circumstances, including whether performance is in line with the Vesting Conditions over the period from the date of grant of the Award to the date of the relevant event and the circumstances of the event.
- (w) **Reorganisation:** If the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return) before all Awards capable of vesting in favour of a Participant have vested in favour of that Participant, the Company will procure that the terms of the Plan are varied in such a way as determined by the Board in its absolute discretion, which neither disadvantages nor advantages that Participant nor adversely affects the rights of the other holders of Shares, to account for the effect of reorganisation.
- (x) **Establishment of a trust:** The Board may at any time determine how Shares are to be held under the Plan prior to satisfaction of Vesting Conditions or Exercise Conditions. The Board may establish a trust at any time for the purposes of the Plan to hold Shares.
- (y) **Quotation:** Awards will not be quoted on the ASX. Subject to the ASX Listing Rules, the Company will apply to the ASX for the official quotation of any Shares issued to Participants for the purposes of the Plan.
- (z) **Compliance with laws:** No Awards may be issued to, or exercised by, a Participant if to do so would contravene the Corporations Act, the Listing Rules or any relief or waiver granted by ASIC or the ASX that binds the Company in

making any offer under the Plan or otherwise in connection with the operation of the Plan.

- (aa) **Amendments:** The Board may, in its discretion, amend the Plan rules, or amend the terms of an Award granted under the Plan (which could include shortening the exercise period of an Award or the accelerated vesting of some or all of unvested Awards), provided that (except in specified circumstances) if such amendment would adversely affect the rights of Participants in respect of any Awards then held by them, the Board must obtain the consent of those Participants before making the amendment.

Memphasys Limited

Independent Expert's Report

8 January 2024



Financial Services Guide

8 January 2024

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Memphasys Limited ('Memphasys') to provide an independent expert's report on the issue of shares to its substantial shareholder, Peters Investments Pty Ltd ('Peters Investments'), arising from the potential conversion of certain convertible notes ('Convertible Notes') held by Peters Investments ('Proposed Transaction'). You are being provided with a copy of our report because you are a shareholder of Memphasys, and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client. Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Memphasys to assist you in deciding on whether or not to approve the Proposed Transaction.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$48,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Memphasys.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Memphasys for



our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. We are also committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the [BDO Complaints Policy](#) available on our website.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

We are a member of the Australian Financial Complaints Authority ('AFCA') which is an External Dispute Resolution Scheme. Our AFCA Membership Number is 12561. Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to AFCA using the below contact details:

Mail:	GPO Box 3, Melbourne, VIC 3001
Free call:	1800 931 678
Website:	www.afca.org.au
Email:	info@afca.org.au
Interpreter Service:	131 450

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Appendix 1 - Glossary of terms and copyright notice

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Appendix 3 - Control premium analysis

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8 January 2024

The Directors
Memphasys Limited
30 Richmond Road
Homebush West, NSW, 2140

Dear Directors,

INDEPENDENT EXPERT'S REPORT

1. Introduction

Memphasys Limited (**'Memphasys'** or **'the Company'**) is seeking shareholder approval for the issue of shares to the Company's substantial shareholder, Peters Investments Pty Ltd (**'Peters Investments'**), which would arise from the conversion of certain convertible notes (**'Convertible Notes'**) held by Peters Investments, which is inclusive of capitalised facilitation fees and accrued interest (**'Proposed Transaction'**).

Peters Investments held a voting interest in Memphasys of 23.13% as at 31 December 2023 and will hold an 18.92% interest in the Company following the completion of the Placement and Entitlement Offer currently being undertaken (see Section 5.3). We note the completion of the Placement is subject to the passing of additional resolutions at the Company's general meeting for the related party participation in the Placement and the ability to convert related party debt to equity through the Placement.

Upon conversion of the Convertible Notes, Peters Investments' voting interest in Memphasys is estimated to increase to 40.71% on an undiluted basis. Therefore, the potential issue of Memphasys shares under the Proposed Transaction requires approval from the non-associated shareholders of Memphasys (**'Shareholders'**) pursuant to item 7 section 611 of the Corporations Act 2001 Cth (**'Corporations Act'** or **'the Act'**).

All currencies are quoted in Australian Dollars unless stated otherwise.

2. Summary and opinion

2.1 Requirement for the report

The directors of Memphasys have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to Shareholders.

Our Report is prepared pursuant to item 7 section 611 of the Corporations Act and is to be included in the Notice of Meeting for Memphasys in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**) Regulatory Guides Regulatory Guide 74 'Acquisitions Approved by Members' (**'RG 74'**), Regulatory Guide

111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of a Memphasys share prior to the Proposed Transaction on a controlling interest basis compares to the value of a Memphasys share following the Proposed Transaction on a minority interest basis
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders of Memphasys.

In our opinion, the Proposed Transaction is not fair because the value of a Memphasys share following the Proposed Transaction is lower than the value of a Memphasys share prior to the Proposed Transaction. However, we consider the Proposed Transaction is reasonable as the advantages of the Proposed Transaction are greater than the disadvantages.

In particular, if the Proposed Transaction is not approved, the Company may not be able to issue the requisite number of shares to Peters Investments upon receipt of a valid conversion request, which may occur any time prior to the Maturity Date. This would trigger an event of default under the Convertible Note terms and result in Peters Investments having the right to redeem the Convertible Notes for cash, which would deplete the Company's cash reserves. This cash could be better used for the ongoing development and commercialisation of the Company's Felix™ device and other pipeline products, as well as to fund ongoing working capital requirements.

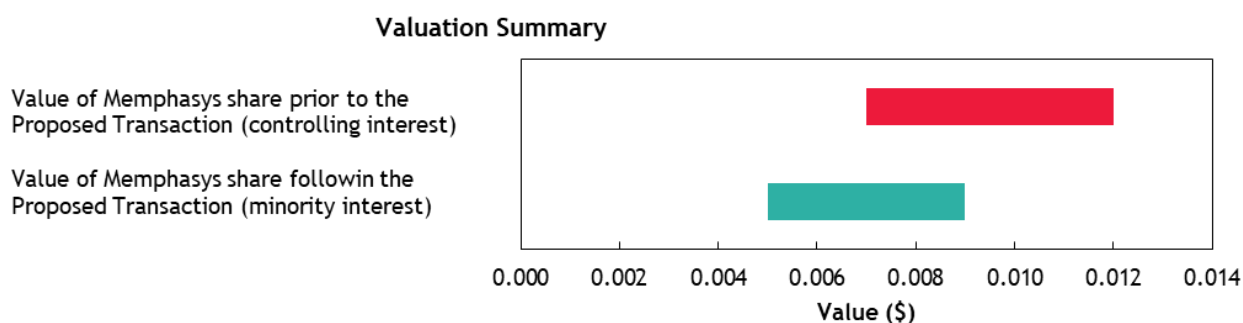
2.4 Fairness

In Section 12 we determined that the value of a Memphasys share prior to the Proposed Transaction on a controlling interest basis is lower than the value of a Memphasys share following the Proposed Transaction on a minority interest basis, as detailed below.

	Ref	Low \$	High \$
Value of a Memphasys share prior to the Proposed Transaction (controlling interest basis)	10.4	0.007	0.012
Value of a Memphasys share following the Proposed Transaction (minority interest basis)	11	0.005	0.009

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate proposal, the Proposed Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both:

- advantages and disadvantages of the Proposed Transaction
- other considerations, including the consequences of not approving the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position of Shareholders if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	Approval of the Proposed Transaction would prevent the Company from triggering an event of default under the Convertible Note terms	13.5	Dilution of existing Shareholders' interests
13.4	The issue of shares on conversion of the Convertible Notes, as opposed to a cash election (for the interest component) or redemption (if a Redemption Event is triggered), will preserve Memphasys' cash reserves	13.5	The number of shares to be issued to Peters Investments on conversion is not fixed
13.4	The Proposed Transaction facilitates the settlement of the Convertible Note liability, which would result in a more favourable capital structure for future undertakings		
13.4	Peters Investments is a strong institutional shareholder partner		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposal
13.2	Practical level of control
13.3	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

Peters Investments held a voting interest in Memphasys of 23.13% as at 31 December 2023 and will hold an 18.92% interest in the Company following the completion of a Placement and Entitlement Offer currently being undertaken (see Section 5.3). We note the completion of the Placement is subject to the passing of additional resolutions at the Company's general meeting for the related party participation in the Placement and the ability to convert related party debt to equity through the Placement.

The conversion of the Convertible Notes (assuming the total face value, accrued interest and capitalised facilitation fees as at 31 December 2024 is converted) will result in Peters Investments increasing its voting interest in Memphasys up to 40.71% (on an undiluted basis).

Section 606 of the Corporations Act ('**Section 606**') expressly prohibits the acquisition of further shares if the party acquiring the interest does so through a transaction and because of the transaction the party (or someone else's voting power in the company) increases from 20% or below to more than 20%. Section 606 also prohibits the acquisition of further shares if the party's interest increases from a starting point of above 20% and below 90%. Therefore, the prohibitions under Section 606 apply to the Proposed Transaction.

Section 611 of the Corporations Act ('**Section 611**') provides exceptions to the Section 606 prohibition and item 7 Section 611 ('**item 7 s611**') permits such an acquisition if the shareholders of Memphasys have agreed to the acquisition. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by the party to the acquisition or any party who is associated with the acquiring party.

Item 7 Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that to satisfy the obligation to provide all material information on how to vote on the item 7 resolution, Memphasys can commission an Independent Expert's Report.

The directors of Memphasys have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest, as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Memphasys share prior to the Proposed Transaction on a controlling interest basis and the value of a Memphasys share following the Proposed Transaction on a minority interest basis (fairness - see Section 12 'Is the Proposed Transaction fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

4.1 History of the Convertible Notes

In September 2021, following shareholder approval, Memphasys issued 1,350,000 Convertible Notes (with a face value of \$1 each) to Andrew Goodall (a director of Memphasys), pursuant to the terms of a Convertible Note agreement entered into and dated 25 May 2021 ('CNA2'). At the same time, Memphasys issued 1,650,000 Convertible Notes to Peters Investments under a Convertible Note agreement on broadly identical terms to CNA2 ('CNA1').

On 19 January 2022, Memphasys announced that Peters Investments agreed to acquire the 1,350,000 Convertible Notes held by Andrew Goodall, which resulted in Peters Investments holding a total of 3,000,000 Convertible Notes in Memphasys.

At the Company's annual general meeting ('AGM') held on 28 November 2022, Memphasys received shareholder approval to extend the maturity date of the Convertible Notes ('Maturity Date') from 31 December 2022 to 31 December 2023.

On 30 November 2023, the Company announced that it had entered into a deed of variation ('Deed') with Peters Investments for the Maturity Date of the Convertible Notes to be extended to 15 February 2024. Furthermore, subject to Shareholder approval on the issue of shares to Peters Investments under Item 7 s611, the Maturity Date may be further extended from 15 February 2024 to 31 December 2024.

4.2 Terms of the Convertible Notes

The key terms of the Convertible Notes are as follows:

Item	Terms
Issuer/Borrower	Memphasys Limited
Holder/Lender	Peters Investments Pty Ltd
Number of Convertible Notes	3,000,000
Face Value	\$3,000,000 (each note has a face value of \$1)
Maturity Date	15 February 2024
Interest Rate	8.00% per annum payable in cash or shares at the Lender's election
Interest Payment Date	Interest accrued on the principal of the Convertible Notes is payable on the applicable: (a) Redemption date; (b) Conversion date; or (c) Maturity Date, in accordance with the key terms below
Conversion Price	The conversion price ('Conversion Price') of the Convertible Notes is the lower of: <ul style="list-style-type: none">• \$0.06; and• a 20% discount to the issue price of Shares, and/or exercise price of any options, offered under any subsequent capital raising completed by the Company to raise over \$1,000,000 completed later than the date of issue and on or before the Maturity Date.

Item	Terms
Conversion Rights	<p>The Holder may convert some or all of the Convertible Notes held by the Holder into shares at any time prior to the Maturity Date by delivering to the Borrower:</p> <p>(a) an executed conversion notice specifying the number of Convertible Notes to be redeemed and converted;</p> <p>(b) the Convertible Note certificate for the Convertible Notes to be redeemed and converted; and</p> <p>(c) following an election by the Lender pursuant to the interest calculated, advising the Borrower in writing if the Holder wishes for the interest on the Convertible Notes to be paid in cash.</p>
Redemption of the Convertible Notes	<p>At any time following the occurrence of a Redemption Event*, the Lender may require the Borrower to redeem some or all the Convertible Notes by delivering to the Borrower:</p> <p>(a) an executed Redemption Notice; and</p> <p>(b) the Convertible Note certificate for the Convertible Notes being redeemed.</p>

*Redemption event is an insolvency event, or breach of the terms by the Issuer of the terms of the Convertible Note Agreement.
Source: CNA1 and CNA2, and the corresponding Deed of assignment.

Shareholder approval for the Proposed Transaction is based on the maximum potential issue of shares as at the prospective Maturity Date of 31 December 2024 and assumes that 100% of the Convertible Notes, including capitalised facilitation fees and accrued interest, are converted into shares.

The principal amount outstanding on the Convertible Notes held by Peters Investments inclusive of the capitalised facilitation fee and accrued interest as at 31 December 2024 has been determined by the Company to be \$4,066,300.

Convertible Notes as at 31 December 2024		\$
Face value of principal		3,000,000
Facilitation fees		90,000
Accrued interest		976,300
Principal amount outstanding		4,066,300

Source: Notice of Meeting.

We note the Convertible Notes are unsecured.

4.3 Impact of conversion on the Company's capital structure

To determine the number of shares applicable to be issued pursuant to the conversion, we have determined the Conversion Price to be \$0.008. This is based on the capital raising price under the most recent December 2023 Raising (see Section 5.3 for details) of \$0.01, with a 20% discount to this price resulting in \$0.008. As this is lower than the fixed conversion price of \$0.06, the Conversion Price is deemed to be \$0.008.

This results in the issue of approximately 508,287,500 shares to Peters Investments if Peters Investments was to exercise the full conversion of the Convertible Notes. As a result, Peters Investments' voting interest in Memphasys will increase from 18.92% to 40.71% on an undiluted basis (36.50% on a fully diluted basis).

We have illustrated in the table below the impact that the conversion of Convertible Notes would have on Memphasys' capital structure.

Capital structure	Peters Investments	Non-Associated Shareholders	Total
Issued Shares prior to the Proposed Transaction, Placement and Entitlement Offer	261,564,791	697,955,591	959,520,382
<i>% holdings prior to the Proposed Transaction, Placement and Entitlement Offer</i>	<i>27.26%</i>	<i>72.74%</i>	<i>100.00%</i>
Placement and Entitlement Offer*	-	423,226,752	423,226,752
Issued Shares following the Placement and Entitlement Offer	261,564,791	1,121,182,343	1,382,747,134
<i>% holdings following the Placement and Entitlement Offer</i>	<i>18.92%</i>	<i>81.08%</i>	<i>100.00%</i>
Conversion of Convertible Notes	508,287,500	-	508,287,500
Issued Shares following the Placement, Entitlement Offer and Conversion	769,852,291	1,121,182,343	1,891,034,634
<i>% holdings following the Placement, Entitlement Offer and Conversion</i>	<i>40.71%</i>	<i>59.29%</i>	<i>100.00%</i>
Dilutive impact of options and rights	-	218,282,176	218,282,176
Issued Shares following the Placement, Entitlement Offer and Conversion (fully diluted)	769,852,291	1,339,464,519	2,109,316,810
<i>% holdings following the Placement, Entitlement Offer and Conversion (fully diluted)</i>	<i>36.50%</i>	<i>63.50%</i>	<i>100.00%</i>

*Peters Investments has indicated that they will not be participating in the Placement or Entitlement Offer.

Source: BDO analysis, Share registry information

We note that the impact of the conversion on Memphasys' capital structure is subject to changes based on:

- Changes to the deemed Conversion Price, which can be influenced by subsequent capital raisings and the terms of any future options issued
- Changes to the Company's capital structure to the Maturity Date
- Peters Investments election on whether to convert the accrued interest into shares or cash.

Our assessment of the Proposed Transaction is based primarily on the full conversion of the Convertible Notes (inclusive of facilitation fees and interest accrued) into shares at the current terms.

5. Profile of Memphasys

5.1 History

Memphasys is an Australian reproductive biotechnology company developing medical devices, diagnostics, and media for application in assisted reproduction technology for humans and animals. The Company listed on the Australian Securities Exchange ('ASX') in May 2007 as NuSep Holdings Limited ('NuSep') until 2016 when the Company changed its name to Memphasys to reflect its focus on the development of membrane and biological separation systems. The Company was incorporated in 2006 and is based in Homebush, New South Wales.

The Company operates in the bio-separations space where it specialises in the separation of valuable cells and molecules from biological fluids. Memphasys also develops, manufactures, and sells protein and cell separation devices, and related consumables for the biotechnology, veterinary, and healthcare market sectors in Australia.

The Company's proprietary offering is Felix™, a device that separates sperm from raw semen for use in human In-Vitro Fertilisation ('IVF') procedures. Other products in Memphasys' development pipeline include a range of devices, media, and in-vitro diagnostic solutions.

The current directors of Memphasys are:

- Mr. Robert Cooke - Independent Non-Executive Chairman
- Dr. David Ali - Acting CEO and Executive Director
- Mr. Paul Wright - Independent Non-Executive Director.

5.2 Products and services

Memphasys has developed an array of products and devices to provide reproduction and fertility solutions for both humans and animals. The Company operates three segments as outlined in the paragraphs below.

Felix™ system

The Felix™ system is the Company's primary offering that allows for the quick and gentle separation of sperm from a semen sample for use in human IVF procedures. The current and most common global method for separating sperm from semen in IVF clinics is the density gradient centrifugation ('DGC') system. However, the DGC method exposes the separation procedure to certain risks such as damaging sperm DNA, as well as being labour intensive, taking up to 30 to 45 minutes to perform, whereas the Felix™ system takes approximately six minutes. The Felix™ system, through a proprietary process which combines electrophoresis and size exclusion membranes, expedites the sperm extraction process and minimises risk of sperm DNA damage by excluding cellular contaminants.

The Felix™ system (formerly named SpermSep) was first developed in partnership with Professor John Aitken from The University of Newcastle. Product development work such as engineering design, prototype testing and verification work on the Felix™ system were undertaken over 2016 to 2019 in collaboration with several national and international IVF specialist bodies.

In the second half of 2019, the Company completed the pre-production of Felix™ devices, which were used for additional verification and validation processes as well as testing under the Company's key opinion leaders ('KOL') assessment program. The verification and validation process for early access markets was completed in November 2021 and initial KOL assessments were also received, which allowed for the commencement of commercial discussions in key early access markets. As part of the Company's commercialisation strategy, Memphasys has primarily targeted early access markets such as Japan, Canada

and New Zealand whilst also progressing clinical trials and regulatory approvals in high access markets such as India, China, the US, the European Union ('EU') and Australia.

On 20 December 2021, Memphasys announced that it had made its first commercial sale of the Felix™ console and initial supply of single-use cartridges to a Women's Centre in Coimbatore, India. Notably, on 3 April 2023 and later on 15 September 2023, the Company released announcements stating that the Coimbatore Women's Hospital Centre had recorded a total of eleven live births, which used the Felix™ system.

On 3 April 2023, Memphasys announced that it had entered into the Japanese market by completing its first commercial sale of 30 sterile single-use Felix™ cartridges and consoles to the Kobe ART clinic in Japan. Following this, in August 2023, the Company announced that it had signed an exclusive agreement with Vitrolife Japan KK ('Vitrolife'), a subsidiary of the Vitrolife Group, to sell and distribute the Felix™ system in Japan, for a term of five years.

On 2 January 2024, Memphasys announced the expansion of the Vitrolife agreements to include the Canadian and New Zealand markets with first orders anticipated for the first half of 2024. Each of the agreements were for a period of five years giving the Vitrolife Group the exclusive rights to sell and distribute Felix™ in New Zealand and Canada.

The Company continues to progress its commercialisation strategy in its early access markets while continuing clinical trials for regulatory approvals in the high access markets. Patents have been granted for the Felix™ system in the US, China, Japan and Australia.

RoXsta

The RoXsta (rapid in vitro antioxidant assessment) is a point-of-care diagnostic device currently being developed by Memphasys to test for oxidative stress. Oxidative stress is an imbalance between antioxidant protection and reactive oxygen species within the body, which has been proven to contribute to serious diseases and impact fertility in both humans and animals.

RoXsta is in the prototype development phase and comprises four separate assays, which will test for different aspects of antioxidant activity. This will represent a unique product offering with applications in IVF procedures, fertility research and other uses.

AI-Port

The AI-Port is an ambient temperature semen transport device for artificial insemination ('AI') in animals. It is being developed by Memphasys as a system to store and transport semen for AI at ambient temperatures for up to three days (with recent testing showing survival for up to seven days). Despite the magnitude of the global bovine AI market, traditional AI methods remain unoptimized for certain transportation challenges, especially in long-distance remote insemination. Current solutions involve freezing sperm, but this approach is highly destructive and unsuitable for some species due to their sperm's inability to endure freezing.

Memphasys' AI-Port aims to streamline and optimise the traditional method for bovine AI, allowing fresh semen to be shipped with higher AI success rates, and enabling AI semen straws to be loaded with fewer, more reproductively viable, sperm. Field trials in 2022 and 2023 were focussed on dairy and meat cattle breeds.

5.3 Corporate events and funding

August 2022 capital raising

On 17 August 2022, the Company announced a \$3.36 million capital raising (**'August 2022 Raising'**) to accelerate the commercialisation of Felix™ and continue development of the Company's other products. The capital raise was completed through a:

- \$1.60 million placement at \$0.02 per share from sophisticated and institutional investors
- \$1.76 million pro-rata non-renounceable entitlement offer for one new share for every nine shares held at an issue price of \$0.02 per share.

We note that \$0.44 million of funds raised under the placement were subscribed for by Peters Investments.

The entitlement offer was fully underwritten by Canaccord Genuity (Australia) Limited (**'Canaccord'**). At the close of the offer, 45.00 million of shares were applied for with the remaining 43.02 million shortfall shares subscribed for by Canaccord.

Board changes

On 30 November 2023, Memphasys announced an executive transition for which Ms. Alison Coutts elected to step down from her position as Managing Director and CEO of the Company. Concurrently, the Company announced the appointment of Dr. David Ali as acting CEO and Executive Director.

On 30 November 2023, the Company also announced the resignation of Mr. Andrew Goodall as director of the Company.

December 2023 capital raising

On 4 December 2023, Memphasys announced a \$4.23 million capital raising (**'December 2023 Raising'**) to pursue the commercial opportunities with Felix™ and maintain the development of its product pipeline. Funds raised from the capital raising will also be used to settle outstanding debts and creditors and provide working capital.

The December 2023 Raising comprises a \$2.10 million placement to sophisticated and institutional investors (**'Placement'**) at \$0.01 each and a \$2.13 million pro-rata non-renounceable rights issue (**'Entitlement Offer'**). Canaccord was appointed as the lead manager to the Placement and Entitlement Offer. The Entitlement Offer is also fully underwritten by Canaccord.

The Placement comprises the issue of approximately 210 million fully paid ordinary shares at \$0.01 each and includes the conversion of \$511,747 of debt to equity. Participants in the Placement will also receive one free attaching option (exercisable at \$0.02 and expiring two years from date of issue) (**'Placement Options'**) for every two shares subscribed for and issued under the Placement.

The Entitlement Offer comprises a non-renounceable offer of two new shares for every nine existing shares held by eligible shareholders, at an issue price of \$0.01 per share. Participants in the Entitlement Offer will also receive one free attaching option (exercisable at \$0.02 and expiring two years from date of issue) (**'Entitlement Offer Options'**) for every two shares subscribed for and issued under the Entitlement Offer.

We note as at the date of our Report, the Entitlement Offer and issue of Placement Options are still in progress. The Placement has been completed with exception of the issue of shares to related parties and the conversion of debt to equity, which are subject to shareholder approval.

5.4 Historical statements of financial position

Statement of Financial Position	Audited as at 30-Jun-23 \$	Audited as at 30-Jun-22 \$	Audited as at 30-Jun-21 \$
CURRENT ASSETS			
Cash and cash equivalents	637,832	269,077	2,002,915
Inventories	130,786	87,082	118,794
Other current assets	1,480,113	1,672,391	1,567,072
TOTAL CURRENT ASSETS	2,248,731	2,028,550	3,688,781
NON-CURRENT ASSETS			
Financial assets at fair value through OCI	26,000	74,000	-
Property, plant and equipment	428,140	501,408	594,237
Intangible assets	10,294,734	9,678,774	8,291,264
Right-of-use asset	1,670,236	1,838,397	2,006,557
TOTAL NON-CURRENT ASSETS	12,419,110	12,092,579	10,892,058
TOTAL ASSETS	14,667,841	14,121,129	14,580,839
CURRENT LIABILITIES			
Trade and other payables	555,457	559,713	339,749
Interest-bearing liabilities	4,469,437	3,405,998	-
Non-interest-bearing liabilities	77,330	154,668	181,002
Lease liabilities	110,913	98,727	87,857
Other liabilities	47,647	33,762	5,050
Provisions for employee benefits	306,507	286,446	243,183
TOTAL CURRENT LIABILITIES	5,567,291	4,539,314	856,841
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	-	-	2,932,339
Non-interest-bearing liabilities	-	77,330	231,998
Lease liabilities	1,714,506	1,825,418	1,924,462
Provisions for employee benefits	1,355	32,533	28,209
TOTAL NON-CURRENT LIABILITIES	1,715,861	1,935,281	5,117,008
TOTAL LIABILITIES	7,283,152	6,474,595	5,973,849
NET ASSETS	7,384,689	7,646,534	8,606,990
EQUITY			
Issued capital	53,417,790	50,340,937	48,884,176
Reserves	140,129	76,209	890,237
Accumulated losses	(46,173,230)	(42,770,612)	(41,167,423)
TOTAL EQUITY	7,384,689	7,646,534	8,606,990

Source: Memphasys' audited financial statements for the years ended 30 June 2023, 30 June 2022, and 30 June 2021.

We note the Company's auditor included an emphasis of matter outlining the existence of material uncertainty relating to the going concern assumption in its audited reports for the years ended 30 June 2023, 30 June 2022 and 30 June 2021.

Commentary on historical statements of financial position

- Cash and cash equivalents decreased from \$2.00 million to \$0.27 million from 30 June 2021 to 30 June 2022. The decrease of \$1.73 million was primarily due to payments for internal development of \$2.92 million and payments to suppliers and employees of \$1.48 million, which were partially offset by government grant receipts of \$1.38 million and proceeds from the issue of shares of \$1.08 million.
- Cash and cash equivalents increased from \$0.27 million to \$0.64 million from 30 June 2022 to 30 June 2023. The increase of \$0.37 million was primarily due to proceeds from the issue of shares of \$3.36 million (August 2022 Raising) and government grant receipts of \$1.48 million, which were partially offset by payments to suppliers and employees of \$2.84 million and payments for internal development of \$1.82 million.
- Inventories of \$0.13 million as at 30 June 2023 comprise raw materials and finished devices which are held at cost.
- Other current assets of \$1.48 million as at 30 June 2023 primarily comprise \$1.32 million of receivables under the research and development ('R&D') Tax Incentive Scheme.
- The historical balances of property, plant and equipment are outlined in the table below:

Property, plant and equipment	Audited as at 30-Jun-23 \$	Audited as at 30-Jun-22 \$	Audited as at 30-Jun-21 \$
Plant & equipment			
Cost	1,436,878	1,430,681	1,427,817
Accumulated depreciation	(1,008,738)	(929,273)	(833,580)
Balance of plant & equipment	428,140	501,408	594,237
Leasehold improvements			
Cost	592,357	592,357	592,357
Accumulated depreciation	(592,357)	(592,357)	(592,357)
Balance of leasehold improvements	-	-	-
Total property, plant and equipment	428,140	501,408	594,237

Source: Memphasys' audited financial statements for the years ended 30 June 2023, 30 June 2022, and 30 June 2021.

- Intangible assets of \$10.29 million as at 30 June 2023 relates to capitalised expenditure on the Company's internal development less accumulated R&D grant income and amortisation. The Company capitalises development costs based on time spent by employees, the type of project, related development tasks and other related factors. Intangible assets are amortised when they are available for use and a useful life of 20 years is used in the calculation of amortisation for the Felix™ device projects.
- Right of use assets and the corresponding current and non-current lease liabilities relate to the Company's property leases at Homebush and Moorebank. Homebush relates to the Company's production and commercial property, while Moorebank relates to the cleanroom to manufacture the Felix™ disposable cartridges.

- The historical balances of interest-bearing liabilities (current and non-current) are outlined in the table below:

Interest-bearing liabilities	Audited as at 30-Jun-23 \$	Audited as at 30-Jun-22 \$	Audited as at 30-Jun-21 \$
Current			
Convertible notes unsecured - Related party debt	43,200	43,200	-
Convertible notes unsecured - Third-party debt	3,571,200	3,287,798	-
Third-party loan - secured	855,037	-	-
Alison Coutts	-	21,000	-
Alison Coutts Consulting Pty Ltd	-	54,000	-
Current interest-bearing liabilities	4,469,437	3,405,998	-
Non-current			
Related party debt	-	-	1,319,552
Third-party debt	-	-	1,612,787
Non-current interest-bearing liabilities	-	-	2,932,339

Source: Memphasys' audited financial statements for the years ended 30 June 2023, 30 June 2022, and 30 June 2021.

The initial recognition of the Convertible Notes was in the year ended 30 June 2021, after Mr. Andrew Goodall (recognised as related party debt) and Peters Investments (recognised as third-party debt) subscribed for the Convertible Notes in May 2021 under CNA2 and CNA1, respectively. The carrying value of the Convertible Notes includes the face value of the notes, the accrued interest, the embedded derivative and the attaching options to the notes.

In the year ended 30 June 2022, Mr. Andrew Goodall sold his Convertible Notes to Peters Investments whilst retaining his attaching options, which resulted in the balance of the third-party debt component of the Convertible Notes, which is representative of the holding of Peters Investments, increasing to \$3.29 million.

As at 30 June 2023, the Convertible Notes held by Peters Investments held a carrying value of \$3.57 million comprising:

Peters Investments Convertible Notes	Audited as at 30-Jun-23 \$
Carrying Value	
Principal	2,738,325
Facilitation fees	85,855
Interest accrued	694,220
Attaching options	52,800
Carrying value of third-party debt	3,571,200

Source: Memphasys' audited financial statements for the years ended 30 June 2023, 30 June 2022, and 30 June 2021.

5.5 Historical statements of profit or loss and other comprehensive income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-23 \$	Audited for the year ended 30-Jun-22 \$	Audited for the year ended 30-Jun-21* \$
Revenue	15,371	27,148	-
Grant income	587,999	489,931	211,483
Settlement of engineering flaw	-	650,000	-
Income on fair value of convertible note options	21,000	54,000	-
Other income	50,398	27,043	93,112
Total revenue	674,768	1,248,122	304,595
Direct cost	(6,150)	(18,905)	-
Transport expenses	(1,183)	(4,059)	-
Employee benefit expenses	(221,243)	(387,791)	(266,687)
Research and development expenses	(1,469,294)	(1,089,366)	(466,264)
Depreciation and amortisation expenses	(612,839)	(123,211)	(99,544)
Finance cost expenses	(428,197)	(569,677)	(89,514)
Marketing expenses	(150,631)	(107,097)	(34,900)
Director expenses	(208,687)	(153,375)	(147,129)
Corporate consultants' expenses	(362,110)	(286,171)	(264,067)
Compliance, audit, tax and legal expenses	(263,329)	(222,797)	(200,390)
Other expenses	(353,723)	(367,637)	(222,532)
Total expenses	(4,077,386)	(3,330,086)	(1,791,027)
Loss before income tax expense from continuing operations	(3,402,618)	(2,081,964)	(1,486,432)
Income tax expense	-	-	-
Loss after income tax expense from continuing operations	(3,402,618)	(2,081,964)	(1,486,432)
Other comprehensive income/(expenses)			
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	(48,000)	(76,000)	-
Total comprehensive loss for the year, net of tax	(3,450,618)	(2,157,964)	(1,486,432)

*Note: Certain expense line items for the year ended 30 June 2021 have been restated from the presented financial statements in the Annual Report in order to provide a like-for-like comparison with the financial statements presented for the year ended 30 June 2023.

Source: Memphasys' audited financial statements for the years ended 30 June 2023, 30 June 2022, and 30 June 2021.

We note the Company's auditor included an emphasis of matter outlining the existence of material uncertainty relating to the going concern assumption in its audited reports for the years ended 30 June 2023, 30 June 2022 and 30 June 2021.

Commentary on historical statements of profit or loss and other comprehensive income

- Revenue in the year ended 30 June 2022 ('FY22') and 30 June 2023 ('FY23'), primarily relates to the sale of Felix™ devices in Japan and India.
- Grant income relate to the component of government grants received that are not directly related to projects under development.

- The settlement of an engineering flaw of \$0.65 million in FY22 relates to a commercial agreement between Hydrix Limited ('Hydrix') and Memphasys in relation to the rectification of a product design issue for the Felix™ system. The settlement comprised \$500,000 in cash reimbursement and the issue of 1,000,000 shares in Hydrix for nil consideration.
- R&D expenses account for the largest proportion of expenses, representing 36.0% of total expenses in FY23 and 32.7% of total expenses in FY22. These expenses relate to expenditure incurred during the research phase of a project, whereas development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

5.6 Capital structure

The share structure of Memphasys as at 31 December 2023 is outlined below:

	Number
Total ordinary shares on issue	1,130,630,958*
Top 20 shareholders	734,111,421
Top 20 shareholders - % of shares on issue	64.93%

*Note: total shares on issue as at 31 December 2023 include 171,110,576 shares issued under the Placement.

Source: Share registry information provided by Memphasys

The range of shares held in Memphasys as at 31 December 2023 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	442	77,287	0.01%
1,001 - 5,000	194	623,347	0.06%
5,001 - 10,000	217	1,770,926	0.16%
10,001 - 100,000	736	30,508,116	2.70%
100,001 - and over	568	1,097,651,282	97.08%
TOTAL	2,157	1,130,630,958	100.00%

Source: Share registry information provided by Memphasys

The ordinary shares held by the most significant shareholders as at 31 December 2023 are detailed below:

Name	No. of Ordinary Shares	Percentage of Issued Shares (%)
Peters Investments Pty Ltd	261,564,791	23.13%
Mr Andrew Ernest Goodall	171,206,265	15.14%
Ms Alison Coutts	77,847,375	6.89%
Piperlake Pty Ltd	51,500,000	4.55%
Subtotal	562,118,431	49.72%
Others	568,512,527	50.28%
Total ordinary shares on Issue	1,130,630,958	100.00%

Source: Share registry information provided by Memphasys

The options determined to be on issue following the Placement and Entitlement Offer are outlined below:

Description	No. of Options	Exercise price (\$)	Expiry Date
Options exercisable at \$0.0965 expiring 30 July 2024	2,575,800	\$0.0965	30-Jul-24
Options exercisable at \$0.0940 expiring 31 August 2024	1,593,000	\$0.0940	31-Aug-24
Options exercisable at \$0.0237 expiring 5 December 2024	2,500,000	\$0.0237	05-Dec-24
Total number of options on issue prior to Placement and Entitlement Offer	6,668,800		
Placement Options	105,000,000	\$0.0200	31-Jan-26*
Entitlement Offer Options	106,613,376	\$0.0200	31-Jan-26*
Total number of options on issue following the Placement and Entitlement Offer	218,282,176		

**Assumed based on two-year term from an issue date of 31 January 2024.*

Source: Share registry information provided by Memphasys

6. Profile of Peters Investments

6.1 Background

Peters Investments is an Australian proprietary limited company registered in Western Australia on 1 July 1966. Peters Investments is owned and controlled by Bob Peters, a notable Australian horse breeder and businessman.

According to S&P Capital IQ (based on latest positions publicly available as at the date of our Report), Peters Investments holds a number of direct and indirect investments in both private and public companies within Australia including but not limited to:

- A 31.27% interest in The Agency Group Australia Limited, which was acquired in 2021 through the exercising of convertible notes and options
- A 24.61% interest in Optiscan Imaging Limited
- An 8.26% interest in PainChek Limited
- A 4.63% interest in C29 Metals Limited.

Peters Investments is also presently the largest shareholder of Memphasys holding an interest of 18.92% following the completion of the Placement and Entitlement Offer. We note the completion of the Placement is subject to the passing of additional resolutions at the Company's general meeting for the related party participation in the Placement and the ability to convert related party debt to equity through the Placement.

7. Economic analysis

Memphasys is primarily exposed to the risks and opportunities of the Australian market through their listing on the ASX and operations based in Australia. As such, we have presented an analysis on the Australian economy.

7.1 Australia

In its December 2023 Monetary Policy Decision meeting, the Reserve Bank of Australia ('RBA') made the decision to leave the cash rate target unchanged at 4.35%. Prior to the December meeting, the Board of the RBA ('the Board') had increased interest rates by 25 basis points in November, following a period of four months since June where it had held interest rates steady. The decision to hold the cash rate steady at the December meeting was to allow the RBA more time to assess the impact of the four-percentage point increase in the interest rate since May 2022 on demand, inflation and the labour market. Elevated interest rates were intended to ease inflationary pressures and return inflation to its target rate within a reasonable timeframe. However, the Board had since received recent data on inflation, the labour market and economic activity, in addition to the revised set of forecasts, highlighting the increased risk of inflation is likely to remain higher for longer.

Inflation reached 7.8% over the 2022 calendar year, the highest year-end inflation figure since 1990, and significantly higher than the RBA's inflation target of 2-3%. The RBA stated in its July 2023 statement that the decline in the monthly consumer price index ('CPI') indicator for May 2023 suggested that inflation has since passed its peak in Australia. However, the RBA considers that inflation is still too high and whilst goods price inflation has further eased, the prices of many services are continuing to rise briskly. The forecast for CPI inflation reveals it is expected to continue to decline, however, progress is being achieved slower than previously anticipated and in turn, inflation is now predicted to be around 3.25% by late 2025.

According to the RBA, growth in the Australian economy was slightly stronger than expected over the first half of 2023, although the economy continues to experience a below-trend growth that is further expected to persist. Recently, the combination of heightened interest rates and cost-of-living pressures has led to a substantial deceleration in household spending. As a result, equity market conditions, particularly for retail investors, have dampened alongside the decline in discretionary income. Additionally, dwelling investments have demonstrated weakness on the back of continual hikes in housing prices across the country.

Among other major economies around the world, the rebound from the COVID-19 pandemic waned throughout 2022 which contributed to a significant slowdown in the global economy. Like many advanced economies, high inflation and energy prices have weighed in on demand in Australia. For 2023-24, it is anticipated that Gross Domestic Product ('GDP') growth in Australia's key trading partners will remain substantially below historical norms. However, downside risks to growth in major global economies have lessened in recent months, accelerated by China's pro-longed reversal of its COVID-19 restrictions in December 2022, stabilising the supply chain recovery trajectory.

The banking system crisis in the US and Switzerland in March 2023 has contributed to increased volatility in financial markets and a reassessment of the outlook for global interest rates. Such macroeconomic conditions are envisioned to influence tighter financial conditions, creating an additional headwind for the global economy. Despite this, the RBA considers the Australian banking system to be strong, well capitalised and highly liquid, and therefore, well placed to provide the credit that the economy needs, albeit at higher interest rates compared to the rates observed during the COVID-19 pandemic.

Regarding the labour market, conditions have eased although remain tight. As growth in the economy is forecast below trend, employment is predicted to expand at a slower rate than the labour force and the

unemployment rate is anticipated to gradually rise to around 4.25%. Additionally, wage growth has also increased over the past year and inflation has tapered slightly.

Outlook

Returning inflation to its target level within a reasonable timeframe remains the priority of the Board, which is expected to be achieved over the medium term. Economic growth in Australia is forecast to be hampered by continued interest rates hikes, higher living costs and declining real wealth. Household consumption remains uncertain with many households experiencing a squeeze on their finances, while others are benefiting from rising housing prices, substantial savings buffers and sources of higher interest income. Services price inflation has surprisingly persisted overseas and the same could occur in Australia. Further uncertainties regarding the lags in the effect of the monetary policy and how firms' pricing decisions and wages respond to the slower growth in the economy will remain apparent. On a global scale, there are additional concerns surrounding the outlook of the Chinese economy and the implications of ongoing conflicts abroad.

Further monetary policy tightening may be required in the coming periods to allow inflation to return to the target level within a reasonable timeframe, although the medium-term inflation expectations have been consistent with the inflation target. The Board stated that it would continue to pay close attention to developments in the global economy, trends in domestic demand and the outlook for inflation and the labour market.

Biotechnology companies like Memphasys are not immune to the effects of inflation, with rising supplier and corporate costs impacting the level of capital required to fund its R&D and commercialisation initiatives. Additionally, a tight labour market may make it more difficult for the Company to source skilled labour to further develop its core offering and product pipeline. High interest rates and declining real wealth may also hinder the Company's ability to secure funding for future operations from both debt and equity markets.

Source: www.rba.gov.au Statement by Phillip Lowe, Governor: Monetary Policy Decision dated 5 December 2023 and prior periods, www.rba.gov.au Statement on Monetary Policy June 2023 and prior periods, and BDO analysis.

8. Industry analysis

Memphasys' primary focus is the commercialisation and development of the Felix™ device, which is used in human IVF procedures. The device aims to compete with other methods within the assisted reproductive technology ('ART') market such as the DGC system.

Memphasys has commenced commercialisation in early access markets such as Japan, Canada and New Zealand and continues to target high access markets such as Australia, China, India, the US and the EU. As such, we have presented an analysis of the global and Australian ART treatment industries to the extent that they relate to our assessment.

8.1 Overview

Assisted reproductive technology can be defined as a group of procedures involving the in vitro (outside of the body) handling of human oocytes (eggs) and sperm or embryos, for the purposes of establishing a pregnancy. Each ART treatment involves a number of stages and is generally referred to as an ART treatment cycle. A University of New South Wales study found that 111,253 ART cycles were performed in Australia and New Zealand in 2021, representing an increase of 17.1% in Australia and 7.1% in New Zealand from 2020. Of the ART cycles performed in 2021, 23.1% resulted in a clinical pregnancy and 18.3% resulted in live deliveries.

The World Health Organisation estimates that 17% of people (or 1 in 6 people) experience infertility at some point in their lifetime, with ART solutions largely unfunded and inaccessible due to high costs and limited availability.

Of the different ART treatments available for infertility, the most popular is IVF which typically involves the following five steps:

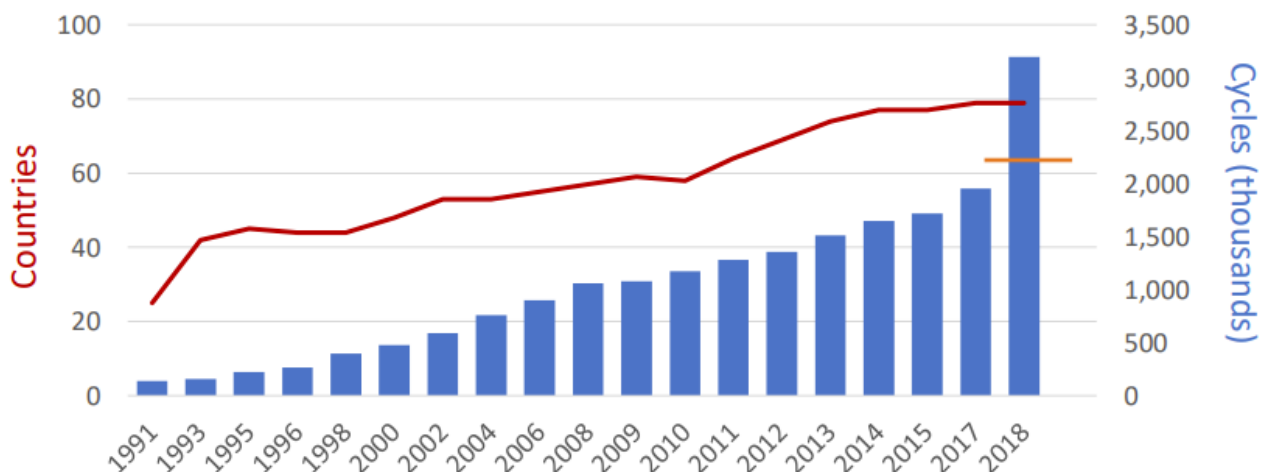
1. Stimulating the ovaries to induce the maturation of multiple oocytes
2. Picking up the matured oocytes by aspiration
3. Fertilisation of the collected oocytes with sperm
4. Embryo maturation
5. Transfer of embryos into the uterus.

Memphasys' Felix™ device aims to increase the likelihood of success of Step 3, through identification of the most viable sperm cells to use for fertilisation.

8.2 Global ART industry

There is limited availability of ART treatment statistics worldwide as not all governments record treatment numbers and success rate definitions vary with each country. However, data for the global industry are currently available for the years 2018 and 2019 in annual reports prepared by the International Committee for Monitoring Assisted Reproductive Technologies ('ICMART') and the European Society of Human Reproduction and Embryology ('ESHRE').

In its 2018 preliminary report (released in July 2022), ICMART showed a 63.4% increase in the number of ART cycles globally from 2017 to 2018 at 3.2 million cycles.

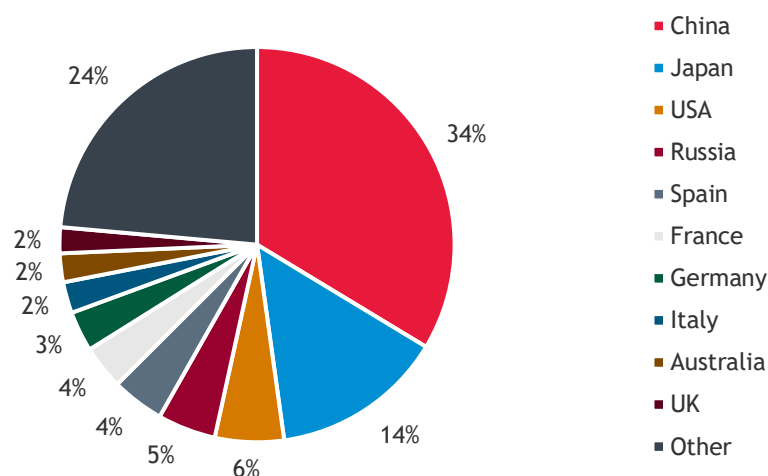


Source: ICMART Preliminary World Report 2018

The increase was noted to be due to China reporting its statistics on ART as a new contributor to the ICMART. It is estimated that the three regions reported by ICMART, namely, Europe, Asia and North America, contributed to approximately 90% of the global ART market.

The top 10 contributors by number of cycles for 2018 are outlined in the chart below:

ICMART contributors by geography (cycles)



Source: ICMART Preliminary World Report 2018

The data above shows that the top 10 contributors accounted for 76% of the total number of cycles globally. Majority of these top contributors are also representative of Memphasys' target markets.

ICMART also reported a key observation that the ages of women undergoing ART treatment were increasing as evidenced by the proportion of women undergoing ART treatment who were 40 years of age and above increasing from 22.9% in 2017 to 28.0% in 2018. According to the ESHRE, the highest percentage of women aged 40 years and older undergoing aspiration for IVF was reported in Greece. As expected, an age-dependant decrease in pregnancy and delivery rates was also reported.

Barriers to entry for ART technology providers vary in each geography and depend on the relevant regulatory requirements, accessibility and demand factors. As discussed in Section 5 of our Report, Memphasys has identified Japan, Canada and New Zealand as early access markets due to the lower level

of regulatory hurdles required. Memphasys continues to be in the process of seeking further clinical trials in geographies like Australia, India, EU, China and the US, which are more regulated. We have discussed the specific factors of the Australian ART industry in Section 8.3 below, much of which is common to the other high access markets.

8.3 Australian ART industry

IBISWorld estimates an increasing demand for ART treatments such as IVF will result in increasing revenues for the ART industry in Australia. Total revenues of this industry, which stand at approximately \$757 million, are anticipated to grow at 2.4% per annum over the five years to 2028. Industry growth is expected to be driven by a growing customer base and an improving success rate of treatment programs.

8.3.1. Demand determinants

Female population aged 35 and older

There has been an increase in the percentage of the Australian female population who are older than 35 from 1.43% in 2021 to 1.56% 2022 to 2.22% 2023. According to a University of New South Wales study, the average age of the female patients undergoing ART cycles in 2021 was 36 years, with one in four females aged 40 years or older. Growth in this demographic should create higher demand for ART treatments.

Federal funding for Medicare

Medicare covers a proportion of the costs associated with assisted reproductive treatments, therefore, with federal funding for Medicare having risen by 6.59% in 2023, it can be expected that this should support the demand for ART.

Private health insurance membership

People with higher-tier private health insurance hospital cover may be eligible for rebates for in-patient IVF services. With the number of these people growing from 11.59% in 2022, to 11.66% in 2023 demand for ART treatments could be expected to grow as these treatments are expensive and typically funded mainly by private health insurers.

Private research and development expenditure

Expected growth in research and development spending from -0.57% in 2023 to 2.23% in 2026 creates a higher chance of technological advancements in the ART industry which should improve infertility treatment success rates in the future.

Levels of obesity

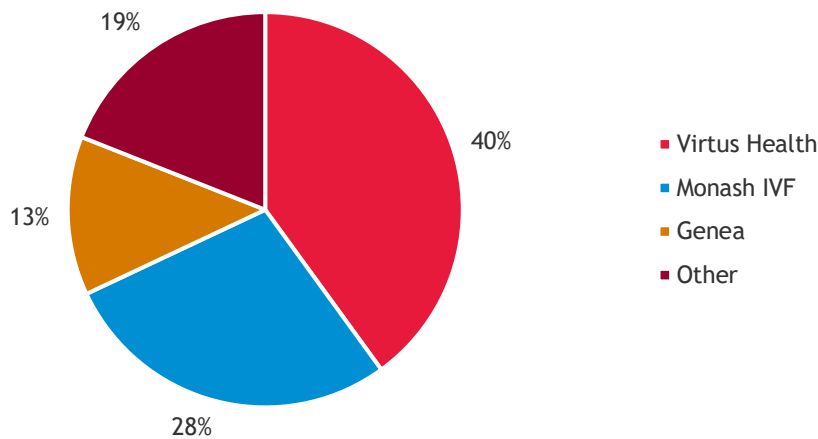
Increasing levels of obesity has the potential to increase infertility issues in men and women. This could lead to an increased demand for ART treatments. Over half of Australian women entering pregnancy are classified as either overweight or obese. Levels of obesity have increased from 72.6% of the Australian population being classified as obese in 2022, to 73.4% in 2023, and this number is expected to increase to 79% in 2028, according to IBISWorld.

8.3.2. Competitive landscape

In terms of the location of ART treatment clinics, New South Wales, Victoria, and Queensland account for the greatest number of fertility clinics as a result of their higher population levels.

In terms of ART service providers, three companies dominate the Fertility Clinics industry: Virtus Health, Monash IVF and Genea Limited. Together, these companies account for over 80% of the industry market share, as depicted below.

Share of Australian ART treatment industry



Source: IBISWorld

This concentration is aided by high barriers to entry as the existing providers have established an extensive client base and relationships with doctors, hospitals and other medical facilities, making it difficult for new entrants to enter the market. Furthermore, due to the ethical and social implications and concerns regarding ART treatments, a range of government legislation and regulations has made it increasingly difficult for new market entrants.

The application of Memphasys' FelixTM is global and not restricted to Australia. Memphasys has completed pre-submissions to the Australian regulator, the Therapeutic Goods Administration ('TGA'), and is in the process of clinical trials to as part of approval processes.

Source: *Assisted reproductive technology in Australia and New Zealand in 2021* by UNSW Sydney September 2023, Jade E Newman, Repon C Paul, Georgia M Chambers. *1 in 6 people globally affected by infertility: WHO*, World Health Organization April 2023. ICMART Preliminary World Report 2018. ESHRE ART in Europe Report 2019. IBISWorld Report OD509I *Fertility Clinics in Australia*, December 2023.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1 Valuation of a Memphasys share prior to the Proposed Transaction

In our assessment of the value of a Memphasys share prior to the Proposed Transaction, we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology
- QMP as our secondary methodology as this represents the value that a Shareholder can receive for a share if sold on market
- Market based assessment as a tertiary methodology based on the offer price of shares under the December 2023 Raising of \$0.01 per share.

We note that the QMP and market based assessment reflects the value of a Memphasys share on a minority interest basis. Therefore, we have applied a control premium to adjust the valuation to reflect a controlling interest.

We have chosen these methodologies for the following reasons:

- The Company's intangible assets do not currently generate a material level of income from sales, nor are there any historical profits or earnings that could be used to represent future earnings, hence the FME approach is not appropriate.
- The NAV methodology assesses the market value of Memphasys' assets and liabilities and in particular, adopts the cost approach in valuing the intangible assets of the Company relating to Felix™ and other pipeline products. The cost approach is an appropriate method for assessing the value of biotechnology products or more broadly, intellectual property ('IP'), particularly when the future economic benefits generated from the IP are unable to be reliably assessed. The cost approach typically provides a minimum value for the IP, on the basis that the historical costs spent on developing the IP to date are expected to be recovered by future income streams.
- The QMP method is a relevant methodology to consider because Memphasys shares are listed on the ASX. This means there is a regulated and observable market where Memphasys shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the Company's activities. As detailed in Section 10.2, the shares display a low level of liquidity, therefore we have placed a lower reliance on the assessed range under the QMP approach.

- The recent capital raising price of \$0.01 per share under the Placement and Entitlement Offer is a reasonable indicator of the fair value of a Memphasys share on the basis that the December 2023 Raising of \$4.23 million was substantial enough to be considered in our valuation assessment and a component of the Placement has already been subscribed for by third party investors, thereby representing a price that a willing buyer of Memphasys shares subscribed for at arm's length.
- We considered the use of a DCF approach based on Memphasys' forecast future cash flows from its operations. A cash flow forecast for FY24 was provided to us by Management, which included assumptions on future sales, overheads and development costs. We determined the cash flow forecast provided did not warrant the use of a DCF approach as it showed that current sales were not yet sufficient to cover the Company's current cost base. This illustrates that despite the commencement of Felix™ sales in Japan (through the Vitrolife distribution agreement) and expansion into Canada and New Zealand, the Company's operations are still not at full commercialisation and therefore is too early stage for the DCF approach to be adopted. Furthermore, given we are bound by ASIC's guidance in Regulatory Guide 170 Prospective Financial Information ('RG 170') on reasonable grounds for prospective financial information, we consider that we have insufficient reasonable grounds to perform a valuation based on a future cash flows approach assuming the advanced commercialisation of the Company's Felix™ system. Therefore, we have not applied the DCF valuation approach in our assessment.

9.2 Valuation of a Memphasys share following the Proposed Transaction

In our assessment of the value of a Memphasys share following the Proposed Transaction, we have used the same methodologies adopted for the valuation of Memphasys prior to the Proposed Transaction. Our pre-transaction valuation has been adjusted for the:

- additional shares issued as a result of the conversion of the Convertible Notes
- additional equity value as a result of the settlement of the Convertible Note liability
- application of a minority interest discount.

We considered a cross check of the valuation of Memphasys following the Proposed Transaction was not required as the cross checks had already been applied and considered within our assessed value of a share in Memphasys prior to the Proposed Transaction.

10. Valuation of Memphasys prior to the Proposed Transaction

10.1 Net asset valuation of Memphasys

The value of Memphasys' net assets on a going concern basis (inclusive of cash received and shares issued from the completion of the Placement and Entitlement Offer) is reflected in our valuation below:

Net Asset Valuation	Note	Audited as at 30-Jun-23 \$	Adjusted Balance \$
CURRENT ASSETS			
Cash and cash equivalents	a	637,832	4,236,966
Inventories		130,786	130,786
Other current assets	b	1,480,113	148,642
TOTAL CURRENT ASSETS		2,248,731	4,516,394
NON-CURRENT ASSETS			
Financial assets at fair value through OCI		26,000	26,000
Property, plant and equipment		428,140	428,140
Intangible assets	c	10,294,734	10,294,734
Right-of-use asset		1,670,236	1,670,236
TOTAL NON-CURRENT ASSETS		12,419,110	12,419,110
TOTAL ASSETS		14,667,841	16,935,504
CURRENT LIABILITIES			
Trade and other payables		555,457	555,457
Interest-bearing liabilities	d	4,469,437	4,231,621
Non-interest-bearing liabilities		77,330	77,330
Lease liabilities		110,913	110,913
Other liabilities		47,647	47,647
Provisions for employee benefits		306,507	306,507
TOTAL CURRENT LIABILITIES		5,567,291	5,329,475
NON-CURRENT LIABILITIES			
Lease liabilities		1,714,506	1,714,506
Provisions for employee benefits		1,355	1,355
TOTAL NON-CURRENT LIABILITIES		1,715,861	1,715,861
TOTAL LIABILITIES		7,283,152	7,045,336
NET ASSETS		7,384,689	9,890,168
Shares on issue	e		1,382,747,134
Value per share			\$0.007

Source: BDO analysis, Management accounts as at 30 November 2023.

We note based on management accounts provided to us by the Company that there has not been a significant change in the net assets of Memphasys since 30 June 2023 apart from those we have adjusted based on management accounts as at 30 November 2023, and other information provided by Management. The table above indicates the net asset value of a Memphasys share is \$0.007.

The following adjustments were made to the net assets of Memphasys as at 30 June 2023 in arriving at our valuation.

Note a) Cash and cash equivalents

Management provided us with management accounts as at 30 November 2023, which showed a balance of \$4,698. We have adjusted the audited cash and cash equivalents balance at 30 June 2023 to reflect the movements to 30 November 2023, which have been verified by obtaining bank statements to support this balance.

In addition, we have included, for the purpose of our NAV assessment, the cash received from the completion of the Placement and fully underwritten Entitlement Offer. Based on the issue of a total of 423,226,752 shares at \$0.01 per Memphasys share, this results in cash receipts of \$4.23 million.

We note that a portion of the proceeds from the Placement (\$0.51 million) will be received in the form of converting debt to equity, and therefore does not represent the receipt of cash. However, on the basis that this has the same impact to the net asset value of Memphasys, we have assumed for our assessment the receipt of cash as detailed in the table below:

Cash and cash equivalents	
Cash balance 30 November 2023	4,698
Cash received from Placement and Entitlement Offer	4,232,268
Total cash and cash equivalents	4,236,966

Source: BDO analysis, Management accounts as at 30 November 2023, bank statements.

Note b) Other current assets

We have adjusted the audited other current assets balance at 30 June 2023 to reflect the movements to 30 November 2023. The \$1.33 million decrease in other current assets during this period was largely the result of \$1.32 million in R&D tax incentives being received in October 2023.

Therefore, the value of other current assets adopted for our NAV assessment is \$0.15 million.

Note c) Intangible assets

The balance of intangible assets as at 30 November 2023 remain unchanged since 30 June 2023 at \$10.29 million.

Intangible assets relate to capitalised development costs for the internal development of the Company's products and devices, less any accumulated R&D grant income and amortisation. The Company's accounting policy is to capitalise costs only when they relate to development, with technical feasibility studies identifying that the project will deliver future economic benefits and that these benefits can be measured reliably.

Therefore, we consider that the book value of intangible assets of \$10.29 million to be reflective of fair value and have adopted this in our NAV assessment.

Note d) Interest-bearing liabilities

We have adjusted the audited interest-bearing liabilities balance at 30 June 2023 to reflect the movements to 30 November 2023. The \$0.24 million decrease in the interest-bearing liabilities during this period was largely the result of \$0.86 million third party loans being settled following the receipt of the R&D tax incentive. This was offset by an increase in the balance of the Convertible Notes due to the increase in accrued interest on the principal outstanding.

Therefore, the value of the interest-bearing liabilities adopted for our NAV assessment is \$4.23 million. We note that within this balance, \$3,718,621 related to the carrying value of the Convertible Notes.

Note e) Shares on issue

The shares on issue used in our assessment is based on the total number of shares on issue following the completion of the Placement and Entitlement Offer as outlined in Section 4.

The number of shares outstanding upon completion of the Placement and Entitlement Offer is 1,382,747,134.

Undiluted basis

We note we have assessed the NAV of Memphasys on an undiluted basis and have not considered the value of a Memphasys share on a fully diluted basis. This is on the basis that the current options listed in Section 5.6 are unlikely to be exercised based on the variance between the exercise prices and the current assessed value per share under the NAV approach.

10.2 Quoted market prices for Memphasys securities

To provide a comparison to the valuation of Memphasys in Section 10.1, we have also assessed the quoted market price for a Memphasys share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction
- access to underlying cash flows
- control over dividend policies
- access to potential tax losses.

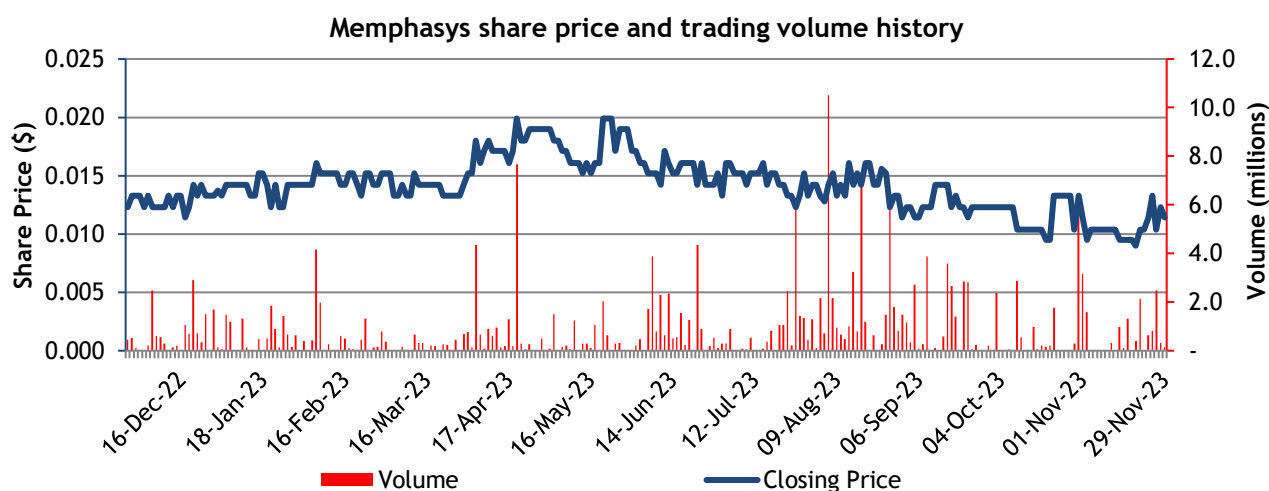
Whilst Peters Investments will not be obtaining 100% of Memphasys, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Memphasys share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Memphasys share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Memphasys share after the announcement may include the effects of any change in value as a result of the Proposed Transaction.

Information on the Proposed Transaction was announced to the market on 30 November 2023. Therefore, the following chart provides a summary of the share price movement over the 12 months to 29 November 2023 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Memphasys shares from 29 November 2022 to 29 November 2023 has ranged from a low of \$0.0090 on 20 November 2023 to a high of \$0.0199 on 23 May 2023. The highest single trading day over the assessed period was 7 August 2023, when 10,512,619 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
22/11/2023	Results of Meeting	0.010	▶	0.0%	0.010	▶	0.0%
31/10/2023	Quarterly Activities/Appendix 4C Cash Flow Report	0.013	▲	27.9%	0.010	▼	21.8%
25/10/2023	R&D refund	0.013	▶	0.0%	0.010	▼	21.8%
20/10/2023	Notice of Annual General Meeting/Proxy Form	0.010	▶	0.0%	0.013	▲	40.0%
21/09/2023	In-Depth Investor Webinar Presentation	0.012	▶	0.0%	0.012	▶	0.0%
18/09/2023	Investor Presentation Sept 23	0.012	▼	13.4%	0.012	▶	0.0%
15/09/2023	Felix System records 10 new live births in India	0.014	▶	0.0%	0.012	▼	13.4%
15/09/2023	Notification of cessation of securities - MEM	0.014	▶	0.0%	0.012	▼	13.4%
30/08/2023	Preliminary Final Report	0.013	▶	0.0%	0.012	▼	7.5%
14/08/2023	Initial Felix System order placed by Vitrolife Japan	0.016	▲	21.1%	0.014	▼	11.8%
07/08/2023	Vitrolife sign Felix distribution agreement for Japanese mkt	0.014	▲	10.9%	0.014	▶	0.0%
28/07/2023	Quarterly Activities/Appendix 4C Cash Flow Report	0.015	▲	14.3%	0.014	▼	6.6%
13/07/2023	New Patents granted for Felix System	0.015	▶	0.0%	0.015	▶	0.0%
08/06/2023	Notification of cessation of securities - MEM	0.014	▼	6.6%	0.015	▲	7.0%
06/06/2023	Felix considered best method to treat cryopreserved semen	0.015	▶	0.0%	0.017	▲	12.5%
28/04/2023	Quarterly Activities/Appendix 4C Cash Flow Report	0.019	▶	0.0%	0.018	▼	5.3%
05/04/2023	Investor presentation April 2023	0.017	▲	6.2%	0.017	▶	0.0%
03/04/2023	Japan first commercial sale and first baby born using Felix	0.018	▲	18.4%	0.018	▶	0.0%
30/03/2023	Experienced fertility expert appointed Operations Director	0.015	▲	7.0%	0.016	▲	5.9%
28/02/2023	Highly-credentialled exec appointed as Director of BusDev	0.014	▶	0.0%	0.015	▲	7.0%
24/02/2023	Half Yearly Report and Accounts	0.015	▶	0.0%	0.015	▶	0.0%
07/02/2023	KOL testings demonstrate Felix System outperforms DGC	0.016	▲	13.4%	0.015	▼	5.6%
31/01/2023	Quarterly Activities/Appendix 4C Cash Flow Report	0.014	▶	0.0%	0.014	▶	0.0%
17/01/2023	Notification of cessation of securities - MEM	0.015	▲	14.3%	0.012	▼	19.1%
12/01/2023	Change of Director's Interest Notice correction	0.014	▶	0.0%	0.015	▲	7.0%
03/01/2023	Change of Director's Interest Notice - AC	0.014	▲	3.0%	0.014	▲	3.6%
09/12/2022	Notification of cessation of securities - MEM	0.012	▶	0.0%	0.012	▶	0.0%
06/12/2022	Change of Director's Interest Notice RC and Notification regarding unquoted securities - MEM	0.013	▲	8.1%	0.012	▼	7.5%

On 17 January 2023, the Company announced a notification of cessation of securities where 2.322 million options expired due to performance conditions not being satisfied. On the date of the announcement, the share price increased by 14.3% to close at \$0.015, before decreasing by 19.1% over the subsequent three day trading period to close at \$0.012.

On 7 February 2023, Memphasys announced that the KOL testings demonstrated that the Felix™ System outperforms the DGC method, the most globally common sperm preparation method for IVF procedures. On the date of the announcement, the share price increased by 13.4 % to close at \$0.016, before decreasing by 5.6% over the subsequent three day trading period to close at \$0.015.

On 3 April 2023, Memphasys announced their first commercial sale of 30 single-use Felix™ cartridges and console to the Kobe ART clinic in Japan. The Company also announced the first live birth of a healthy baby buy using the Felix™ System. On the date of the announcement, the share price increased by 18.4% to close at \$0.018, and remained the same over the subsequent three day trading period to close at \$0.018.

On 28 July 2023, Memphasys released their Quarterly Activities and Cash Flow Report, which outlined the activities of the Company in the June 2023 quarter and emphasized on the KOL publications released in February 2023. On the date of the announcement, the share price increased 14.3%, to close at \$0.015, before decreasing by 6.6% over the subsequent three day trading period to close at \$0.014.

On 7 August 2023, the Company announced that it had signed an exclusive agreement with Vitrolife Japan KK, a subsidiary of the Vitrolife Group, to sell and distribute the Felix™ system in Japan, for a term of five years. On the date of the announcement, the share price increased 10.9%, to close at \$0.014, and remained the same over the subsequent three day trading period to close at \$0.014.

On 14 August 2023, the Company announced that Vitrolife had placed their first order of 150 single-use Felix™ cartridges to supply five Vitrolife IVF clinics in Japan. On the date of the announcement, the share price increased 21.1%, to close at \$0.016, before decreasing by 11.8% over the subsequent three day trading period to close at \$0.014.

On 31 October 2023, the Company released their Quarterly Activities and Cash Flow Report, which outlined the activities of the Company in the September 2023 quarter and emphasized on the distribution agreement signed with Vitrolife. On the date of the announcement, the share price increased 27.9%, to close at \$0.013, before decreasing by 21.8% over the subsequent three day trading period to close at \$0.010.

To provide further analysis of the market prices for a Memphasys share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 29 November 2023.

Share Price per unit	29-Nov-23	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.011				
Volume weighted average price ('VWAP')		\$0.010	\$0.010	\$0.011	\$0.013

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of Memphasys shares that has occurred since the Proposed Transaction was announced.

An analysis of the volume of trading in Memphasys shares for the twelve months to 29 November 2023 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.011	\$0.012	137,123	0.01%
10 Days	\$0.009	\$0.013	8,332,413	0.74%
30 Days	\$0.009	\$0.013	23,181,013	2.05%
60 Days	\$0.009	\$0.015	48,909,473	4.33%
90 Days	\$0.009	\$0.016	101,166,352	8.95%
180 Days	\$0.009	\$0.020	167,449,907	14.81%
1 Year	\$0.009	\$0.020	205,935,147	18.21%

Source: Bloomberg, BDO analysis

This table indicates that Memphasys' shares display a low level of liquidity, with 18.21% of the Company's current issued capital being traded in a twelve-month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities
- Approximately 1% of a company's securities are traded on a weekly basis
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Memphasys, we consider the shares to display a low level of liquidity, on the basis that on average, less than 1% of Memphasys' issued capital has been traded over a weekly trading period.

Notwithstanding the above, our assessment is that a range of values for Memphasys shares based on market pricing, after disregarding post announcement pricing, is between \$0.010 and \$0.011.

Quoted market price including control premium

We consider an appropriate control premium to range between 20% to 30% as assessed in Appendix 3.

Applying a control premium to Memphasys' quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	High \$
Quoted market price value	0.010	0.011
Control premium	20%	30%
Quoted market price valuation including a premium for control	0.012	0.014

Source: BDO analysis

Therefore, our valuation of a Memphasys share based on the quoted market price method and including a premium for control is between \$0.012 and \$0.014.

10.3 December 2023 Raising price of \$0.01

On 4 December 2023, Memphasys announced the December 2023 Raising to raise \$4.23 million through the Placement and Entitlement Offer.

The Placement comprises the issue of approximately 210 million fully paid ordinary shares at \$0.01 each. Participants in the Placement will also receive one free attaching Placement Option (exercisable at \$0.02 and expiring two years from date of issue) for every two shares subscribed for and issued under the Placement. The issue of Placement Options are subject to shareholder approval.

The Entitlement Offer comprises a non-renounceable offer of two new shares for every nine existing shares held by eligible shareholders, at an issue price of \$0.01 per share. Participants in the Entitlement Offer will also receive one free attaching Entitlement Offer Option (exercisable at \$0.02 and expiring two years from date of issue) for every two shares subscribed for and issued under the Entitlement Offer.

RG 111.86(e) states that the expert should consider “any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets”.

Whilst we note that the \$0.01 capital raising price does not represent a controlling offer for the entire business of Memphasys, we considered the size of the December 2023 Raising significant enough to be an indicator of the fair value of Memphasys shares on a minority interest basis. This is supported by the successful completion of the third-party component of the Placement (excluding the issue of shares to related parties, which is subject to shareholder approval), which indicates that market participants were willing subscribers to the \$0.01 price offered by Memphasys.

Therefore, the value of a Memphasys share under the recent December 2023 Raising Price on a controlling interest basis is outlined below:

	Low	High
	\$	\$
December 2023 Raising price	0.010	0.010
Control premium	20%	30%
Market based assessment including premium for control	0.012	0.013

Source: BDO analysis

10.4 Assessed value of a Memphasys share on a minority interest basis

The results of our assessments of the value per Memphasys share are summarised in the table below:

	Ref	Low \$	High \$
NAV (controlling and undiluted)	10.1	0.007	0.007
QMP (including premium for control)	10.2	0.012	0.014
Market based assessment (including premium for control)	10.3	0.012	0.013

Source: BDO analysis

Based on the results, we consider the value of a Memphasys share prior to the Proposed Transaction to range between \$0.007 to \$0.012.

The low end of our assessed range is based on the NAV method, which typically represents a floor value, as it does not reflect the potential upside from further commercialisation of the Company's Felix™ device and other pipeline products. In particular, the NAV incorporates the book value of the Company's intangible assets, based on capitalised development expenditure.

On the other hand, we consider the QMP may reflect the market's view of the potential upside on the value of the Company from commercialisation of its products. As such, the high end of our valuation adopts the low end of our QMP with inclusion of a premium for control. We have used the low end of our QMP valuation range as we do not consider there to be a sufficiently deep market for trading in the Company's shares as the shares display a low level of liquidity. Therefore, we have not considered the high value of \$0.014 in our assessed valuation range.

We note that the high end of our assessed valuation range is supported by the low end of our market based assessment. We have elected not to adopt the high end of our market based assessment in our final valuation range on the basis that this is driven by the high end of our control premium assessment (see Appendix 3) applied to the December 2023 Raising price of \$0.010, and inclusion of this value will result in our assessed range being too large and hence less meaningful for Shareholders.

11. Valuation of Memphasys following the Proposed Transaction

The valuation of Memphasys following the Proposed Transaction is presented below:

	Ref	Low \$	High \$
Pre-transaction value per share (\$)	10.4	0.007	0.012
<i>Multiply by: Number of shares outstanding, pre-transaction but following the completion of the Placement and Entitlement Offer</i>	4	1,382,747,134	1,382,747,134
Pre-transaction equity value (\$)		9,679,230	16,592,966
<i>Add: Increase in equity value with the settlement of Convertible Note liability</i>	10.1 d)	3,718,621	3,718,621
Post-transaction equity value (\$)		13,397,851	20,311,587
<i>Divide by: Number of shares outstanding, post-transaction</i>	a	1,891,034,634	1,891,034,634
Post-transaction value per share (\$) (controlling interest)		0.007	0.011
<i>Apply: Minority interest discount</i>	b	23%	17%
Post-transaction value per share (\$) (minority interest)		0.005	0.009

Source: BDO analysis

Therefore, based on the above, the value of a Memphasys share following the Proposed Transaction on a minority interest basis ranges between \$0.005 and \$0.009.

Note a) Number of shares outstanding, post-transaction

Following the conversion of the Convertible Notes by Peters Investments, it has been determined that a maximum (based on existing conditions) of 508,287,500 shares will be issued, resulting in the total number of shares outstanding in Memphasys to increase to 1,891,034,634.

Note b) Minority discount

The minority discount is based on the inverse of the control premium and is calculated using the formula $1 - (1 / (1 + \text{control premium}))$.

Based on our analysis in Appendix 3, we consider an appropriate control premium to be in the range of 20% to 30%. This assessed control premium range gives rise to a rounded minority discount in the range of 17% to 23%.

Undiluted basis

We note we have assessed the NAV of Memphasys on an undiluted basis and have not considered the value of a Memphasys share on a fully diluted basis. This is on the basis that the current options listed in Section 5.6 are unlikely to be exercised based on the variance between the exercise prices and the current assessed value per share.

12. Is the Proposed Transaction fair?

The value of a Memphasys share prior to the Proposed Transaction on a controlling interest basis compares to the value of a Memphasys share following the Proposed Transaction on a minority interest basis as follows:

	Ref	Low \$	High \$
Value of a Memphasys share prior to the Proposed Transaction (controlling interest basis)	10.4	0.007	0.012
Value of a Memphasys share following the Proposed Transaction (minority interest basis)	11	0.005	0.009

Source: BDO analysis

We note from the table above that the value of a Memphasys share following the Proposed Transaction is lower than the value of a Memphasys share prior to the Proposed Transaction at both the low and high ends of our assessed range. Therefore, we consider that the Proposed Transaction is not fair.

13. Is the Proposed Transaction reasonable?

13.1 Alternative proposal

We are unaware of any alternative proposal or arrangement that might offer the Shareholders of Memphasys a premium over the value resulting from the Proposed Transaction.

13.2 Practical level of control

If the Proposed Transaction is approved then Peters Investments will hold an interest of approximately 40.71% in Memphasys on an undiluted basis and 36.50% on a fully diluted basis.

We note Peters Investments will not be gaining a right to, nor have they expressed a present intention to, appoint a director to Memphasys' Board. Therefore, there is currently no impact from the Proposed Transaction on Peters Investments' influence on the Memphasys Board.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved, then under the current conversion terms, Peters Investments will be able to block special resolutions but not general resolutions.

Peters Investments' control of Memphasys following the Proposed Transaction will be significant when compared to all other shareholders. However, in our opinion, while Peters Investments will be able to significantly influence the activities of Memphasys, it will not be able to exercise a similar level of control as if it held 100% of Memphasys. As such, Memphasys should not be expected to pay a similar premium for control as if it were acquiring 100% of Memphasys.

13.3 Consequences of not approving the Proposed Transaction

13.3.1. Event of default under the Convertible Note terms

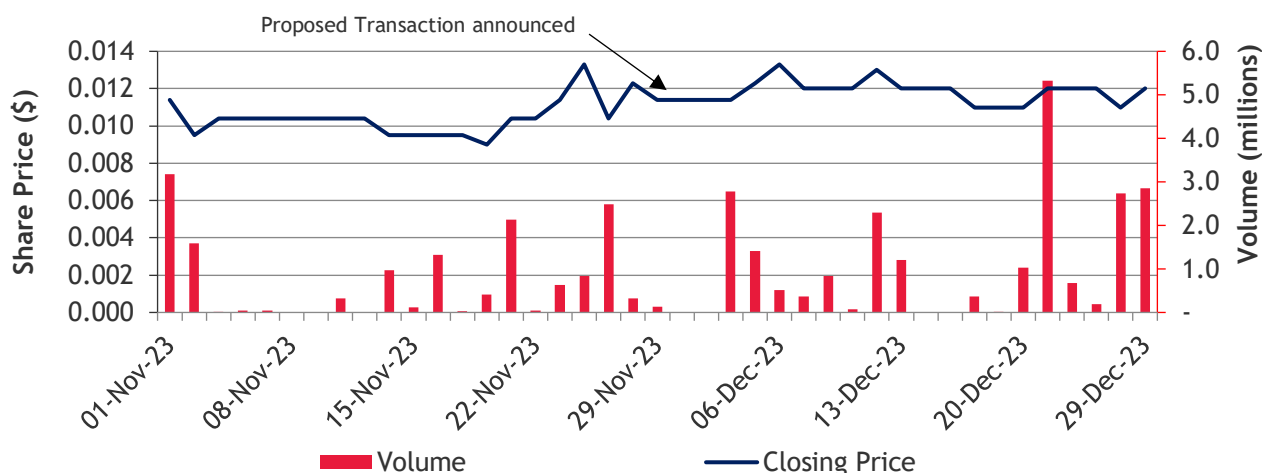
As outlined in Section 4 of our Report, Peters Investments is entitled to convert some or all of the Convertible Notes (together with the capitalised facilitation fees and accrued interest) at any time prior to the Maturity Date.

If the Proposed Transaction is not approved and Memphasys is unable to issue the requisite shares to Peters Investments upon receipt of a valid conversion notice, the Company will be found in an event of default, which would represent a Redemption Event giving Peters Investments the right to redeem the Convertible Notes for cash.

13.3.2. Potential impact on share price

We have analysed movements in Memphasys' share price since the Proposed Transaction was announced. A graph of Memphasys' share price and trading volume leading up to and following the announcement of the Proposed Transaction is set out below.

Memphasys share price and trading volume history



Source: BDO analysis

The closing price of a Memphasys share from 1 November 2023 to 1 January 2024 ranged from a low of \$0.009 on 20 November 2023 and 21 November 2023 to a high of \$0.013 on various dates. The Proposed Transaction was announced on 30 November 2023. On the date that the Proposed Transaction was announced, the Company's shares were placed on trading halt and therefore no trading occurred. Trading of Memphasys' shares resumed on 4 December 2023, with Memphasys' share price remaining the same at \$0.011 from when the announcement was made. On 4 December 2023, 2.78 million shares were traded, representing approximately 0.25% of Memphasys' issued capital. We note that over the subsequent three trading days, the price of a Memphasys share increased to \$0.012 on 7 December 2023 (with the share price having increased to \$0.013 on 6 December 2023).

Therefore, if the Proposed Transaction is not approved, quoted prices for Memphasys shares may return to pre-announcement levels.

13.4 Advantages of approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
Approval of the Proposed Transaction would prevent the Company from triggering an event of default under the Convertible Note terms	<p>As discussed in Section 13.3.1, if the Proposed Transaction is not approved and the Company is unable to issue the requisite shares to Peters Investments upon receipt of a valid conversion notice, the Company will be found in an event of default, which represents a Redemption Event giving Peters Investments the right to redeem the Convertible Notes for cash.</p> <p>Therefore, approval of the Proposed Transaction will prevent the above from occurring.</p>

Advantage	Description
The issue of shares on conversion of the Convertible Notes, as opposed to a cash election (for the interest component) or redemption (if a Redemption Event is triggered), will preserve Memphasys' cash reserves	If the Proposed Transaction is approved, Peters Investments will be able to convert the full value of Convertible Notes, capitalised facilitation fees and accrued interest into shares. This, as opposed to Peters Investments electing for the interest to be paid in cash or redeeming the Convertible Notes in cash (should a Redemption Event be triggered), will preserve the Company's cash reserves, which can be put towards funding development costs and future working capital.
The Proposed Transaction facilitates the settlement of the Convertible Note liability, which would result in a more favourable capital structure for future undertakings	<p>As at 30 June 2023, the carrying value of the Convertible Notes represents approximately 80% of the Company's total balance of interest-bearing liabilities. Approval of the Proposed Transaction facilitates the settlement of the liability, which would improve the Company's capital structure by lowering its leverage ratio.</p> <p>This would result in a more favourable capital structure for the Company to undertake future transactions.</p>
Peters Investments is a strong institutional shareholder partner	Peters Investments has supported the Company in previous capital raisings (e.g., August 2022 Raising) and represents a strong institutional shareholder partner, which may benefit future operations of Memphasys. However, it is worth noting as outlined in Section 1.4 (g) of the Explanatory Statement in the Notice of Meeting, that there is no present intention by Peters Investments to inject further capital into the Company.

13.5 Disadvantages of approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders' interests	As detailed in Section 4 of our Report, if the Proposed Transaction is approved and the Convertible Notes are converted, existing Shareholders' interests may decrease from 81.08% to 59.29% on an undiluted basis (following the completion of the Placement and Entitlement Offer).
The number of shares to be issued to Peters Investments on conversion is not fixed	As discussed in Section 4 of our Report, the conversion price for the Convertible Notes is not fixed and is subject to changes should a subsequent capital raising or issue of options occur. We note that a lower conversion price will result in a higher number of shares to be issued to Peters Investments, which would result in greater dilution of existing Shareholders' interests.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders of Memphasys.

In our opinion, the Proposed Transaction is not fair because the value of a Memphasys share following the Proposed Transaction is lower than the value of a Memphasys share prior to the Proposed Transaction. However, we consider the Proposed Transaction is reasonable as the advantages of the Proposed Transaction are greater than the disadvantages.

In particular, if the Proposed Transaction is not approved, the Company may not be able to issue the requisite number of shares to Peters Investments upon receipt of a valid conversion request, which may occur any time prior to the Maturity Date. This would trigger an event of default under the Convertible Note terms and result in Peters Investments having the right to redeem the Convertible Notes for cash, which would deplete the Company's cash reserves. This cash could be better used for the ongoing development and commercialisation of the Company's Felix™ device and other pipeline products, as well as to fund ongoing working capital requirements.

15. Sources of information

Our Report has been prepared based on the following sources of information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report
- Audited financial statements of Memphasys for the years ended 30 June 2021, 30 June 2022 and 30 June 2023
- Unaudited management accounts of Memphasys for the period between July 2023 and November 2023
- Bank statements as at 30 November 2023
- Convertible Note Agreement and relevant documents with Peters Investments
- Entitlement Offer Prospectus
- Announcement on the December 2023 Raising dated 4 December 2023
- Share registry information provided by Management
- S&P Capital IQ
- Bloomberg
- ICMART World Report 2018
- ESHRE ART in Europe Report 2019
- IBISWorld Report *OD509I Fertility Clinics in Australia*, December 2023
- Information in the public domain
- Discussions with Directors and Management of Memphasys.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$48,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Memphasys in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Memphasys, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Memphasys and Peters Investments and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Memphasys and Peters Investments and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Memphasys, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Memphasys and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 25 years in the audit and corporate finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 500 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

18. Disclaimers and consents

This report has been prepared at the request of Memphasys for inclusion in the Notice of Meeting which will be sent to all Memphasys Shareholders. Memphasys engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed issue of shares to Peters Investments in relation to the conversion of the Convertible Notes held by them.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as

an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Peters Investments. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

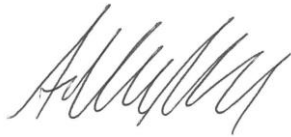
With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Memphasys, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers
Director



Sherif Andrawes
Director

Appendix 1 - Glossary of terms

Reference	Definition
AFCA	Australian Financial Complaints Authority
AGM	Annual general meeting
AI	artificial insemination
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ART	assisted reproductive technology
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
August 2022 Raising	the capital raising undertaken in August 2022 to raise \$3.36 million
BDO	BDO Corporate Finance (WA) Pty Ltd
Board	the Board of the RBA
Canaccord	Canaccord Genuity (Australia) Limited
CNA1	Convertible Note Agreement between Memphasys and Peters Investments
CNA2	Convertible Note Agreement between Memphasys and Andrew Goodall
Conversion Price	the conversion price of the Convertible Notes
Convertible Notes	the 3,000,000 convertible notes with a face value of \$1.00 each held by Peters Investments
Corporations Act	The Corporations Act 2001 Cth
CPI	consumer price index
DCF	Discounted Future Cash Flows
December 2023 Raising	the capital raising undertaken in December 2023 to raise \$4.23 million
Deed	the deed of variation entered into between Memphasys and Peters Investments in relation to the Convertible Note agreements

Reference	Definition
DGC	density gradient centrifugation
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Entitlement Offer	the entitlement offer component of the December 2023 Raising
Entitlement Offer Options	options issued as part of the Entitlement Offer
ESHRE	European Society of Human Reproduction and Embryology
EU	European Union
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FYXX	financial year ending 30 June 20XX
GDP	gross domestic product
Hydrix	Hydrix Limited
ICMART	International Committee for Monitoring Assisted Reproductive Technologies
IP	Intellectual Property
Item 7 s611	Item 7 of Section 611 of the Corporations Act
IVF	In-Vitro Fertilisation
KOL	key opinion leaders
Maturity Date	the maturity date of the Convertible Notes currently 15 February 2024, with the intention of extension to 31 December 2024
Memphasys	Memphasys Limited
NAV	Net Asset Value
NuSep	Nusep Holdings Limited
Our Report	This Independent Expert's Report prepared by BDO

Reference	Definition
Peters Investments	Peters Investments Pty Ltd
Placement	the placement component of the December 2023 Raising
Placement Options	options issued as part of the Placement
Proposed Transaction	the issue of shares arising from the potential conversion of the Convertible Notes, inclusive of the capitalised facilitation fees and accrued interest
QMP	Quoted market price
Redemption Event	an insolvency event, or breach of the terms by Memphasys of the terms of the Convertible Note agreement
R&D	research and development
RBA	Reserve Bank of Australia
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 170	Prospective financial information (April 2011)
RG 74	Acquisitions approved by Members (December 2011)
Section 606	Section 606 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Memphasys not associated with Peters Investments
TGA	Therapeutic Goods Administration
The Act	The Corporations Act 2001 Cth
The Company	Memphasys Limited
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Vitrolife	Vitrolife Japan KK, a subsidiary of the Vitrolife Group

Reference	Definition
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VWAP	Volume Weighted Average Price
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The Directors

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Australia

Appendix 2 - Valuation methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value (NAV)

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis (QMP)

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 Capitalisation of future maintainable earnings (FME)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows (DCF)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis, it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Control premium analysis

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed control premiums on completed transactions, paid by acquirers of ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e., less than a 0% premium). We have also excluded transactions with an assessed paid premium of over 100%, as we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer. We have summarised our findings below.

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2023	33	442.27	27.57
2022	39	3,199.03	23.39
2021	28	1,095.24	35.17
2020	16	367.97	40.43
2019	29	4,165.55	32.83
2018	26	1,571.79	30.07
2017	24	1,168.71	36.75
2016	28	490.46	38.53
2015	28	948.39	33.53
2014	53	456.51	37.89
2013	5	144.48	94.04

Source: Bloomberg, BDO Analysis

The mean and median of the entire data sets comprising control transactions from December 2013 onwards for ASX-listed companies, are set out below:

Entire Data Set Metrics	Deal Value (\$m)	Control Premium (%)
Mean	1,382.60	34.19
Median	125.56	29.51

Source: BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium by acquirers of ASX-listed companies is approximately 34.19%. However, in assessing the transactions included in the table above, we noted that control premiums appear to be positively skewed.

In a population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 29.51%.

Furthermore, we have weighted our analysis of the control premium towards the most recent two years of average control premiums, being 23.39% in 2022 and 27.57% in 2023.

Based on our analysis, we consider an appropriate premium for control for our assessment to be between 20% and 30%.

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YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEDT on Monday, 12 February 2024.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/memphasysgm2024>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities, your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am AEDT on Monday, 12 February 2024.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** <https://www.votingonline.com.au/memphasysgm2024>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 8, 210 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting, please bring this form with you to assist registration.

☐

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Memphasys Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held **at 30 Richmond Road, Homebush West, NSW 2140 on Wednesday, 14 February 2024 at 10:00am AEDT** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 2, 3, 4, 5 and 6, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1, 2, 3, 4, 5 and 6 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1, 2, 3, 4, 5 and 6). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Ordinary Business

		For	Against	Abstain*
Resolution 1	Approval of Issue of Shares to Peters Investments on Conversion of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval to Issue Options Free Attaching to Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to Issue Shares and Options to Related Party under the Placement on Conversion of Short-Term Loans – Mr Andrew Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Issue Shares and Options to Related Party under the Placement on Conversion of Short-Term Loans – Alison Coutts Consulting Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares and Options to Related Party under the Placement – Mr Andrew Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Incentive Options to Director – Dr David Ali	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2024