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**MEMPHASYS LIMITED**

**ACN 120 047 556**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TAKE NOTICE** that the Annual General Meeting of Shareholders of the Company will be held at the time, date and place specified below:

**Time:** 12:00 p.m. (AEDT)

**Date:** Friday, 25 November 2016

**Place:** 30 Richmond Road, Homebush, NSW 2140

## AGENDA

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### ADOPTION OF ANNUAL REPORT

To receive and consider the Annual Financial Report, the Directors' Report and the Auditor's Report of the Company and its controlled entities for the year ended 30 June 2016.

### RESOLUTION 1: NON-BINDING RESOLUTION – ADOPTION OF THE REMUNERATION REPORT

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To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2016."*

**Note: The vote on this resolution is, pursuant to section 250R(3) of the Corporations Act, advisory only and does not bind the Directors or the Company.**

#### Voting Prohibition Statement

*In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a closely related party of such a member.*

*However, a vote may be cast by a person described above, as a proxy, if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and either:*

- *the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or*
- *the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the person is to vote on this Resolution, and expressly authorises the Chairman to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

### RESOLUTION 2: ELECTION OF DIRECTOR – MR JOHN PEREIRA

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

*"That Mr John Pereira, who was appointed by the Board as a director since the last annual general meeting and who retires under clause 64(b) of the Constitution and pursuant to ASX Listing Rule 14.4, and being eligible, offers himself for election, be elected as a Director of the Company."*

### RESOLUTION 3: APPROVAL OF 10% PLACEMENT FACILITY

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

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 over a 12 month period from the date of the Annual General Meeting, at a price no less than that determined pursuant to ASX Listing Rule 7.1A.3, and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

#### Voting Note

If as at the time of the Annual General Meeting, the Company:

- is included in the S&P/ASX 300 Index; and/or
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- has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of greater than AU\$300 million,

this Resolution will be withdrawn.

#### **Voting Exclusion**

*The Company will disregard any votes cast on the Resolution by a person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associate of those persons.*

*However, the Company will not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

#### **RESOLUTION 4: RATIFICATION OF PRIOR SHARE ISSUE TO PLACEMENT SUBSCRIBERS**

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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 7.4 and for all other purposes, Shareholders ratify the prior issue of 37,123,956 Shares in the capital of the Company, at an issue price of \$0.01, to clients of Transocean Securities Pty Ltd (ACN 009 230 120) who are exempt investors that are not related parties of the Company, on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

*The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associate of that person.*

*However, the Company will not disregard a vote if:*

- *it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

#### **RESOLUTION 5: ISSUE OF OPTIONS TO PLACEMENT SUBSCRIBERS**

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

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 37,123,956 Options, exercisable at \$0.016 each, to clients of Transocean Securities Pty Ltd (ACN 009 230 120) who are exempt investors that are not related parties of the Company, or their nominee/s, on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

*The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associate of those persons.*

*However, the Company will not disregard a vote if:*

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
  - *It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*
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## RESOLUTION 6: ISSUE OF OPTIONS TO FORMER DIRECTOR – DR ROBERT GILMOUR

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 4,000,000 Options, exercisable at \$0.02 each and expiring three (3) years from the date of issue, to Dr Robert Gilmour, or his nominee/s, a former Director of the Company, on the terms and conditions set out in the Explanatory Memorandum.”*

### Voting Exclusion

*The Company will disregard any votes cast on this Resolution by Dr Robert Gilmour, and any associate of Dr Robert Gilmour.*

*However, the Company will not disregard a vote if:*

- *it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

## RESOLUTION 7: ISSUE OF OPTIONS TO DIRECTOR UNDER EMPLOYEE SHARE OPTION PLAN – MS ALISON COUTTS

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

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 24,000,000 Options to Ms Alison Coutts, Executive Chairman of the Company, in accordance with the terms of the Company’s Employee Share Option Plan, on the terms and conditions set out in the Explanatory Memorandum.”*

### Voting Exclusion

*The Company will disregard any votes cast on this Resolution by a Director of the Company eligible to participate in the Employee Share Option Plan, or any associate of those Directors.*

*However, the Company will not disregard a vote if:*

- *it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

### Voting Prohibition Statement

*In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast as a proxy by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a closely related party of such member, where the proxy appointment does not specify the way in which the proxy is to vote on the Resolution.*

*However, a vote may be cast by a person described above, as a proxy, if:*

- *the person is the Chairman of the Annual General Meeting; and*
  - *the proxy appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.*
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**RESOLUTION 8: ISSUE OF OPTIONS TO PLATINUM ROAD PTY LTD**

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

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 3,000,000 Options, exercisable at \$0.02 each and expiring on 31 December 2017, to Platinum Road Pty Ltd (ACN 161 711 155) (or its nominee/s), on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion**

*The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associate of those persons.*

*However, the Company will not disregard a vote if:*

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Dated: 21 October 2016

By Order of the Board

Stephanie Georgiou  
Company Secretary

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## PROXY AND VOTING INSTRUCTIONS

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### Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to the Company's registered office on +61 2 9290 9655 not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chairman of the meeting as your proxy. In that case, your shares will not be voted on Resolutions 1 (Remuneration Report) and 7 unless you direct the Chairman how to vote by marking the appropriate box on the proxy form or otherwise indicate your express consent to the Chairman voting your votes on Resolutions 1 and 7.

### Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting. The authority must be in writing and must be sent to the Company and/or Share Registry at least 24 hours in advance of the Meeting.

### Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7:00pm on 24 November 2016 (Sydney, New South Wales time) are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

### How the Chairman Will Vote Undirected Proxies

The Chairman of the meeting will vote undirected proxies in favour of all of the proposed resolutions. However, any undirected proxies held by the Chairman of the meeting will not be voted on Resolutions 1 (Remuneration Report) and 7 unless the express consent of the shareholder is given in the proxy appointment.

### Proxies that are Undirected on Resolutions 1 (Remuneration Report) and 7

If you appoint the Chairman of the meeting as your proxy (or if he or she may be appointed by default) and do not either (a) direct him or her how to vote on Resolutions 1 and 7; or (b) provide your express consent to the Chairman voting your undirected proxy on Resolutions 1 and 7; he or she will not vote your proxy on those items of business. Accordingly, if you appoint the Chairman of the meeting as your proxy (or if the Chairman may be appointed by default) and you want your shares to be voted on those items of business, you should either (a) direct the Chairman how to vote on Resolutions 1 and 7; or (b) tick the box on the proxy form to confirm your consent to the Chairman voting your undirected proxy on Resolutions 1 and 7.

Other directors of the Company, any other of its key management personnel or any of their closely related parties will not be able to vote undirected proxies held by them on Resolutions 1 and 7. Key management personnel of the Company comprise the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The Remuneration Report identifies key management personnel for the year ending 30 June 2016. Their closely related parties are defined in the Corporations Act 2001 (Cth) and include specified family members, dependents and companies they control.

### Special Resolution

Resolution 3 is a special resolution.

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.

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**MEMPHASYS LIMITED**  
**ACN 120 047 556**

**2016 ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum accompanies and forms part of the Notice convening the Annual General Meeting of Shareholders of Memphasys Limited (**Company**) to be held at 12:00 p.m. (AEDT) on 25 November 2016 at the Company's offices at 30 Richmond Road, Homebush, NSW 2140. The Notice of the 2016 Annual General Meeting incorporates, and should be read together with, this Memorandum.

**BUSINESS**

**2016 ANNUAL FINANCIAL STATEMENTS**

The 2016 Annual Financial Statements, comprising the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2016 will be laid before the meeting. Shareholders will have the opportunity to ask questions about or make comments on the 2016 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend to answer any questions about the audit of the Company's 2016 Annual Financial Statements.

The Company's 2016 Annual Financial Statements are set out in the Company's 2016 Annual Report which can be obtained from the Company's website, [www.memphasys.com](http://www.memphasys.com) or upon request to the Company Secretary at the Company's registered office, 30 Richmond Road, Homebush West, New South Wales, 2140 (telephone (02) 8415 7300).

There is no requirement for these reports to be formally approved by shareholders. No resolution is required to be moved in respect of this item.

**RESOLUTION 1: NON-BINDING RESOLUTION – ADOPTION OF THE REMUNERATION REPORT**

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Pursuant to the Corporations Act, the Company is required to propose a non-binding resolution regarding the Remuneration Report, which forms part of the Directors' Report in the Annual Financial Statements. The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. This vote is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2016 Annual General Meeting of the Company will have a reasonable opportunity to discuss and put questions in respect of the Remuneration Report.

Voting consequences

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report resolution are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of Directors of the Company at the second annual general meeting (**Spill Resolution**).

If more than 50% of the votes cast on the Spill Resolution are in favour, the Company must convene a general meeting (**Spill Meeting**) within ninety (90) days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors' Report (as included in the Company's Annual Financial Statements for the financial year ended immediately before the second annual general meeting) was approved, other than the Executive Directors of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as Directors of the Company is approved by the Shareholders will be the Directors of the Company.

At the Company's 2015 annual general meeting, more than 25% of the votes that were cast were against the adoption of the Remuneration Report. As more than 25% of the votes at the 2014 Annual General Meeting were also cast against the adoption of the Remuneration Report, a Spill Resolution was required to be put to the meeting. The Spill Resolution was not passed.

Pursuant to section 250U(c) of the Corporations Act, a Spill Resolution will not be required to be put to Shareholders in the event that more than 25% of the votes are cast against the adoption of the Remuneration Report at the 2016 Annual General Meeting.

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### Voting Restrictions

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- a) The Chairman or any other member of the Key Management Personnel is appointed in writing (by a Shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- b) the Chairman is appointed in writing (by a Shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the Shareholder provides express authorisation for the Chairman to do so.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the resolutions of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

### **RESOLUTION 2: ELECTION OF MR JOHN PEREIRA**

Resolution 2 is a resolution for the election of Mr John Pereira as a Director of the Company. Mr Pereira was appointed as a director of the Company on 30 August 2016 to fill a casual vacancy.

In accordance with the Company's Constitution, and pursuant to ASX Listing Rule 14.4, any director appointed to fill a casual vacancy must retire from office, and will be eligible for re-election, at the next General Meeting following their appointment, but that Director will not be taken into account when determining the number of Directors who are to retire by rotation at each Annual General Meeting.

#### **Mr John Pereira**

Mr Pereira, B.Juris, LLB (Bond University), has had an extensive professional career encompassing funds management, banking and law.

Mr Pereira's early career was in banking and finance where he was an early developer of financial products for the funds management industry. Mr Pereira jointly established Norbury Pereira Lawyers, a boutique commercial legal practice, and subsequently formed a partnership with Cornwall Stodart Lawyers where he became the Deputy Managing Partner.

Mr Pereira was Head of Corporate Advisory for Burdett Buckeridge Young in 2000. Subsequently, Mr Pereira formed Alchemy Corporate Advisors Pty Ltd with Burdett Buckeridge Young to promote corporate advisory and capital raising for small/mid cap clients. In 2004, Mr Pereira established Tristar Corporate Advisors Pty Ltd providing corporate advice to a range of private and ASX listed companies and he continues to advise a number of small and mid-cap companies.

Mr Pereira was the Founder and CEO of India Equities Fund Limited which listed on ASX in 2007. He also created Olympus Funds Management to offer a wide range of investment opportunities in alternative investment markets.

Mr Pereira has maintained a close interest in India, his country of birth, and is a former President (Victoria) and Deputy Chairman of the Australia India Business Council.

Alongside Mr Pereira's commercial activities, he has been admitted to the Supreme Courts of NSW and Victoria and has held a legal practising certificate for over 20 years.

Mr Pereira, being eligible, offers himself for election.

The Directors unanimously (with Mr Pereira abstaining) recommend that Shareholders vote in favour of this Resolution.



### RESOLUTION 3: APPROVAL OF 10% PLACEMENT FACILITY

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Under ASX Listing Rule 7.1A certain companies may seek shareholder approval by special resolution passed at an annual general meeting to have the additional capacity to issue equity securities which do not exceed 10% of the existing ordinary share capital without further shareholder approval.

The Company obtained Shareholder approval for the issue of equity securities under ASX Listing Rule 7.1A at its 2015 Annual General Meeting and seeks to refresh this shareholder approval so as to continue to be able to issue equity securities under ASX Listing Rule 7.1A following the 2016 Annual General Meeting.

The Company has not issued any equity securities under ASX Listing Rule 7.1A since the 2015 Annual General Meeting.

During the twelve-month period preceding the date of this Notice of Annual General Meeting, the Company has issued a total of 321,740,958 shares which represents approximately 130% of the total number of shares on issue in the Company at the commencement of that twelve-month period, which was 247,493,046. The Company has also issued a total of 254,617,002 unlisted options which represents approximately 2,536% of the total number of unlisted options on issue in the Company at the commencement of the twelve-month period, which was 11,225,000.

Further details of the issues of equity securities by the Company during the twelve-month period preceding the date of this Notice of Annual General Meeting are set out in Annexure A.

If this Resolution is approved the Company may make an issue of equity securities under ASX Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- the date which is twelve months after the date of the 2016 Annual General Meeting; or
- the date on which Shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

Accordingly, the approval given if this Resolution is passed will cease to be valid on the earlier of twelve months from the date of the Annual General Meeting, or the date on which holders of the Company's Shares approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

At the date of this Memorandum, the Company is an 'eligible entity', and therefore able to seek approval under ASX Listing Rule 7.1A, as it is not included in the S&P/ASX300 and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million). If at the time of the Annual General Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in ASX Listing Rule 7.1A.2:

$$(A \times D) - E$$

where:

- A is the number of shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
  - (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4 (this does not include an issue of fully paid ordinary shares under the
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entity's 15% placement capacity without shareholder approval);

(iv) less the number of fully paid shares cancelled in the 12 months.

D is 10%

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

The ability of the Company to make an issue under ASX Listing Rule 7.1A is in addition to its 15% placement capacity under ASX Listing Rule 7.1. The effect of this Resolution will be to allow the Company to issue ordinary shares under ASX Listing Rule 7.1A without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

As at the date of this Memorandum, the Company has on issue 569,234,004 ordinary shares and therefore has capacity to issue:

- 85,385,100 equity securities under Listing Rule 7.1 (15% capacity); and
- subject to Shareholder approval being obtained under this Resolution, 56,923,400 equity securities under ASX Listing Rule 7.1A (10% capacity).

The actual number of Shares which may be issued under ASX Listing Rule 7.1A (and ASX Listing Rule 7.1) will be a function of the number of Shares on issue at the time an issue is proposed as calculated per the formula set out above.

The issue price of the equity securities issued under ASX Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities the subject of this Resolution will be issued is 75% of the volume weighted average market (closing) price ("VWAP") of the Company's ordinary shares over the 15 days on which trades in that class were recorded immediately before either:

- the date on which the price at which the equity securities are to be issued is agreed; or
- if the equity securities are not issued within five ASX trading days of the date in paragraph (a) the date on which the equity securities are issued.

If this Resolution is approved, and the Company issues equity securities under ASX Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:

- the market price for the Company's Shares may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- the equity securities issued under ASX Listing Rule 7.1A may be issued at a price that is at a discount (as described above) to market price for the Company's Shares on the issue date,

which may have an effect on the quantum of funds raised by the issue.

The table set out below shows the dilution of existing Shareholders on the basis of:

- The current market price of the Company's Shares and the current number of Shares as at the date of this Memorandum.
- Two examples where the number of Shares on issue ("A" in the formula set out above) has increased by: (1) 85,385,100 (being 15% of the number of Shares on issue in the Company); and (2) 100% (i.e a doubling of the number of Shares on issue in the Company). The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future placements under Listing Rule 7.1 that are approved by

Shareholders.

- Two examples of where the issue price of Shares has decreased by 50% and increased by 50% as against the market price as at the date of this Memorandum.

			Dilution		
			50% decrease in issue price	Issue Price **	50% increase in issue price
Variable "A" Listing Rule 7.1A.2	"A" is the current number of shares on issue 569,234,004 shares	10% voting dilution	56,923,400 shares	56,923,400 shares	56,923,400 shares
		Funds raised	\$170,770	\$341,540	\$512,311
	"A" is increased by 85,385,100 (15%) resulting in a total of 654,619,104 shares	10% voting dilution	65,461,910 shares	65,461,910 shares	65,461,910 shares
		Funds raised	\$196,386	\$392,771	\$589,158
	"A" is increased by 100% (i.e. number of shares on issue is doubled from current position) to 1,138,468,008	10% voting dilution	113,846,801 shares	113,846,801 shares	113,846,801 shares
		Funds raised	\$341,540.40	\$683,080.80	\$1,024,621.21

Notes:

- The table assumes that the Company issues the maximum number of Shares available under ASX Listing Rule 7.1A.
- The table assumes that no Options are exercised into Shares before the date of the issue of Shares under ASX Listing Rule 7.1A.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of Shares under ASX Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory Memorandum.
- The table shows the effect of an issue of Shares under ASX Listing Rule 7.1A, not under the Company's 15% placement capacity under ASX Listing Rule 7.1.

\* Any issue of Shares is required to be made in accordance with the ASX Listing Rules. An issue made other than under the Company's 15% capacity (ASX Listing Rule 7.1) or the Company's additional 10% capacity (ASX Listing Rule 7.1A) and not otherwise made under an exception in ASX Listing Rule 7.2 (for example, a pro-rata rights issue) would require Shareholder approval.

\*\* Based on closing price of the Company's Shares on ASX on 4 October 2016 (\$0.006).

If this Resolution is approved, the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Memorandum the Company has not formed an intention to offer any equity securities under ASX Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under ASX Listing Rule 7.1A will depend on the issue price of the equity securities which will be determined at the time of issue. In some circumstances the Company may issue equity securities under ASX Listing Rule 7.1A for non-cash consideration (for example, in lieu of cash payments to consultants, contractors or vendors). While the Company has not formed an intention to offer any equity securities under ASX Listing Rule 7.1A, some of the purposes for which the Company may issue equity securities under ASX Listing Rule 7.1A include (but are not limited to):

- Raising funds to be applied to the acquisition of new assets and/or the Company's working capital requirements;
- Acquiring assets. In these circumstances the issue of equity securities may be made in substitution for the Company making a cash payment for the assets. If the Company elects to issue the equity securities for the purpose of acquiring assets, the Company will release to the market a valuation of the assets prior to issuing the equity securities;

- Paying contractors or consultants of the Company.

Details regarding the purposes for which any particular issue under ASX Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to ASX Listing Rule 7.1A4 and ASX Listing Rule 3.10.5A at the time the issue is made. The identity of the allottees of equity securities under ASX Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- the potential effect on the control of the Company;
- the Company's financial situation and the likely future capital requirements; and
- advice from the Company's corporate or financial advisors.

Offers made under ASX Listing Rule 7.1A may be made to parties including professional and sophisticated investors, Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

The allocation policy the Company may adopt for a particular issue of equity securities under ASX Listing Rule 7.1A and the terms on which those ordinary shares may be offered will depend upon the circumstances existing at the time of the proposed capital raising under ASX Listing Rule 7.1A. Subject to the requirements of the ASX Listing Rules and the Corporations Act, the Directors reserve the right to determine, at the time of any issue of equity securities under ASX Listing Rule 7.1A, the allocation policy the Company will adopt for that issue.

This Resolution is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of Shares) must be in favour of the Resolution.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.

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#### **RESOLUTION 4: RATIFICATION OF PRIOR SHARE ISSUE TO PLACEMENT SUBSCRIBERS**

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This Resolution seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 37,123,956 Shares to clients of Transocean Securities Pty Ltd (ACN 009 230 120) who are exempt investors that are not related parties of the Company. Each Share subscribed for carried with it one free-attaching Option (**Placement**). The total consideration paid for each share and free-attaching option is \$0.01. Issue of the free-attaching options is subject to Shareholder approval, pursuant to resolution 5.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve-month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve-month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1), those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The total number of Shares issued was 37,123,956 fully paid ordinary shares in the Company;
  - The price at which the Shares were issued was 1 cent (\$0.01);
  - The Shares have the same terms and rights as, and rank equally with, the Company's existing listed Shares;
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- The Shares were issued to clients of Transocean Securities Pty Ltd (ACN 009 230 120), who are exempt investors that are not related parties of the Company;
- Funds raised by the issue of the Shares were used for working capital purposes;

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

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#### **RESOLUTION 5: ISSUE OF OPTIONS TO PLACEMENT SUBSCRIBERS**

This Resolution seeks Shareholder approval for the issue of 37,123,956 Options to clients of Transocean Securities Pty Ltd (ACN 009 230 120) (or their nominee/s), who are exempt investors that are not related parties of the Company, pursuant to the terms of the Placement described above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve-month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve-month period. One circumstance where an action or an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of Options which will be issued under the approval sought by this Resolution is 37,123,956;
- The Company will issue the Options within three (3) months from the date of the Annual General Meeting;
- The issue price of the Options is nil. The Options will be exercisable at a price of 1.6 cents (\$0.016) and will expire on 30 November 2016;
- The Options will be issued to clients of Transocean Securities Pty Ltd (ACN 009 230 120) (or their nominee/s) who participated in the Placement, who are exempt investors that are not related parties of the Company;
- The Options will be issued on the terms set out in Annexure B to this Explanatory Memorandum. Shares issued as a result of exercise of the Options will rank equally in all respects with the Company's existing Shares;
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum;
- No funds will be raised by the issue of the Options. Any funds raised through the exercise of the Options will be applied to the Company's working capital requirements at the date of exercise.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

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#### **RESOLUTION 6: ISSUE OF OPTIONS TO FORMER DIRECTOR – DR ROBERT GILMOUR**

This Resolution seeks Shareholder approval for the issue of 4,000,000 Options to a former director of the Company, Dr Robert Gilmour.

The Company is seeking approval for the issue of the Options to Dr Gilmour as part consideration for provision of consulting services to the Company, pursuant to the terms of a Consulting Agreement between the Company and Dr Gilmour dated 7 December 2015 (**Consulting Agreement**).

Dr Gilmour resigned from the Board of the Company on 29 September 2016. Pursuant to the terms of the Consulting Agreement, Dr Gilmour was entitled to be issued 20,000,000 Options, however, by agreement between Dr Gilmour and the Company made on 25 September 2016, Dr Gilmour has agreed to accept the lesser amount of 4,000,000 Options, in full and final satisfaction of his entitlements under the Consulting Agreement.

Pursuant to section 208 of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless an exception applies, or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

A 'related party' for the purposes of the Corporations Act includes a director of a public company, or an entity that was a related party at any time within the previous six months of the date of giving the benefit.

A 'financial benefit' includes issuing securities or granting an option to the related party.

Section 210 of the Corporations Act provides that shareholder approval for the purposes of section 208 of the Corporations Act is not required to give a financial benefit on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length.

It is the view of the Directors that the issue of Options to Dr Gilmour falls within the arm's length exception in section 210 of the Corporations Act for the following reasons:

1. The terms of the Consulting Agreement between Dr Gilmour and the Company were negotiated before Dr Gilmour became a related party of the Company (i.e. prior to Dr Gilmour's appointment as a director of the Company) and in circumstances where the Consulting Agreement did not contemplate Dr Gilmour being appointed as a director of the Company; and
2. The options proposed to be issued to Dr Gilmour pursuant to this Resolution are on the same terms as Options agreed to be issued to non-related parties on or about the same time as the Company entered into the Consulting Agreement.

Accordingly, shareholder approval is only being sought under ASX Listing Rule 10.11.

#### **ASX Listing Rules**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. This Resolution seeks shareholder approval for the issue of securities to a former director of the Company, who is considered a related party of the Company. ASX Listing Rule 7.2 states that approval pursuant to ASX Listing Rule 7.1 is not required if approval is being obtained pursuant to ASX Listing Rule 10.11.

The following information is provided in accordance with the requirements of ASX Listing Rule 10.13:

- The Options will be issued to Dr Robert Gilmour, or his nominee;
- The maximum number of Options which will be issued under the approval sought by this Resolution is 4,000,000;
- The Company will issue the options within one (1) month from the date of the Annual General Meeting;
- The issue price of the Options is nil. The Options will be exercisable at a price of 2 cents (\$0.02) and will expire on the third anniversary of their issue date;
- No funds will be raised by the issue of the Options. Any funds raised through the exercise of the Options will be applied to the Company's working capital requirements at the date of exercise;
- The Options will be issued on the terms set out in Annexure B to this Explanatory Memorandum. Shares issued as a result of exercise of the Options will rank equally in all respects with the Company's existing Shares;

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

#### **RESOLUTION 7: ISSUE OF OPTIONS TO DIRECTOR UNDER EMPLOYEE SHARE OPTION PLAN – MS ALISON COUTTS**

This Resolution seeks Shareholder approval for the grant of 24,000,000 Options to Ms Alison Coutts, Executive Chairman of the Company, in accordance with the terms of the Company's Employee Share Option Plan (**ESOP**).

A summary of the terms of the ESOP is set out as Annexure C.

The Board proposes that the Company issue to Ms Coutts 24,000,000 Options in three tranches as follows:

- Tranche 1: 8,000,000 Options at an exercise price of 1.6 cents (\$0.016) and expiring on 31 December 2018;

- Tranche 2: 8,000,000 Options at an exercise price of 1.8 cents (\$0.018) and expiring on 31 December 2019; and
- Tranche 3: 8,000,000 Options at an exercise price of 2 cents (\$0.02) and expiring on 31 December 2020,

(collectively **ESOP Options**).

The issue of each tranche of the ESOP Options is subject to achievement of the following performance hurdle:

- Tranche 1: Development of functional SpemSep prototype containing new membrane and new disposable cartridge and buffer;
- Tranche 2: Start of *in-vitro* clinical trial to test new SpermSep device with global key opinion leaders; and
- Tranche 3: Final SpermSep device developed, ready for global launch for human IVF.

The ESOP Options have been valued by an external advisor to the Company using a Binomial Option Pricing model, and based on the assumptions set out below, the ESOP Options are ascribed a value as follows:

	Tranche 1	Tranche 2	Tranche 3
Valuation Date	16 September 2016	16 September 2016	16 September 2016
Option Exercise Price	\$0.016	\$0.018	\$0.02
Share Price (closing, 16 September 2016)	\$0.008	\$0.008	\$0.008
Expiry Date	31 December 2018	31 December 2019	31 December 2020
Risk Free Rate	1.582%	1.618%	1.685%
Volatility	105.70%	113.90%	121.37%
Indicated Value per Option	\$0.003466	\$0.004598	\$0.005537

Based on the Binomial Option Pricing model described above, the aggregate value of the ESOP Options to be received by Ms Coutts through the issues described above is as follows:

	Options proposed to be issued	Value (per option)	Total value of Tranche
Tranche 1	8,000,000	\$0.003466	\$27,727.00
Tranche 2	8,000,000	\$0.004598	\$36,786.00
Tranche 3	8,000,000	\$0.005537	<u>\$44,298.00</u>
			\$108,812.00

If the ESOP Options described above were issued, Ms Coutts' direct and indirect Share and Option holdings would be as follows:

	Shares <sup>^</sup>	Options		
		Existing	Proposed to be issued	Total
Ms Alison Coutts	20,719,208	14,852,400 <sup>#</sup>	24,000,000	38,852,400

<sup>^</sup> Assumes that no existing Options are exercised by Ms Coutts prior to the issue of the Options the subject of this Resolution.

<sup>#</sup> While approval was obtained at the 2015 Annual General Meeting for the issue of 12,000,000 Options to Ms Coutts under the ESOP, these Options have not been issued and will not be issued.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- the circumstances of the Company; and
- the related party's circumstances (including the responsibilities involved in the office or employment).

In reaching the view that the issue of the ESOP Options to Ms Coutts falls within this exception, the Company has considered the position and responsibilities of Ms Coutts, the Company's reliance on a limited number of executive personnel, the need for the Company to effectively incentivise Ms Coutts while aligning the incentive with increasing Shareholder value, the desirability of preserving cash resources within the Company, and the terms of the ESOP Options. The Board believes that the issue of the ESOP Options to Ms Coutts is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for Ms Coutts.

#### **ASX Listing Rules**

The following information is provided in accordance with the requirements of ASX Listing Rule 10.15:

- The Options will be issued to Ms Alison Coutts;
- The maximum number of Options which will be issued under the approval sought by this Resolution is 24,000,000;
- The Options will be issued for nil consideration. The Options will be issued in three tranches on the following terms:
  - 8,000,000 Options at an exercise price of 1.6 cents (\$0.016) and expiring on 31 December 2018;
  - 8,000,000 Options at an exercise price of 1.8 cents (\$0.018) and expiring on 31 December 2019; and
  - 8,000,000 Options at an exercise price of 2 cents (\$0.02) and expiring on 31 December 2020.
- There have been no issues of securities under the ESOP since the amended ESOP was approved at the Company's 2015 Annual General Meeting;
- Ms Coutts (and her associates) are the only persons referred to in ASX Listing Rule 10.14 eligible to participate in the ESOP, as Ms Coutts is the Company's only executive director;
- A voting exclusion statement is contained in the Notice of Annual General Meeting;
- There are no loans applicable to the issue of Options to Ms Coutts;
- The Company will issue the Options within twelve (12) months from the date of the Annual General Meeting.

The Directors unanimously (with Ms Coutts abstaining) recommend that Shareholders vote in favour of this Resolution.

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#### **RESOLUTION 8: ISSUE OF OPTIONS TO PLATINUM ROAD PTY LTD**

This Resolution seeks shareholder approval for the issue of 3,000,000 Options to Platinum Road Pty Ltd (ACN 161 711 155) (**Platinum Road**) (or its nominee/s).

The Options are to be issued to Platinum Road as part of the consideration payable to Platinum Road for corporate advisory and capital raising services to be provided by Platinum Road to the Company, pursuant to a mandate agreement between the Company and Platinum Road agreed on or about 15 September 2016.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve-month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve-month period. One circumstance where an action or an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

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- The maximum number of Options which will be issued under the approval sought by this Resolution is 3,000,000;
- The Company will issue the Options within three (3) months from the date of the Annual General Meeting;
- The issue price of the Options is nil. The Options will be exercisable at a price of 2 cents (\$0.02) and will expire on 31 December 2017;
- The Options will be issued to Platinum Road Pty Ltd (ACN 161 711 155) (or its nominee/s);
- The Options will be issued on the terms set out in Annexure B to this Explanatory Memorandum. Shares issued as a result of exercise of the Options will rank equally in all respects with the Company's existing Shares;
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum;
- No funds will be raised by the issue of the Options. Any funds raised through the exercise of the Options will be applied to the Company's working capital requirements at the date of exercise.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

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## DEFINITIONS

Throughout this Explanatory Memorandum the following various words and phrases are capitalised and the definitions of these capitalised words and phrases are set out below:

"**Annual General Meeting**" means the meeting convened by the Notice of Meeting;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means ASX Limited (ACN 008 624 691);

"**ASX Listing Rules**" or "**Listing Rules**" means the Official Listing Rules of the ASX;

"**Board**" means the board of Directors of the Company;

"**Chairman**" means chairman of the annual general meeting;

"**Closely Related Party**" of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the member's spouse;
- (c) A dependant of the member or the member's spouse;
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) A company the member controls; or
- (f) A person prescribed by the Corporation Regulations.

"**Company**" means Memphasys Limited (ACN 120 047 556);

"**Constitution**" means the Company's constitution;

"**Convertible Security**" has the same meaning as in the ASX Listing Rules;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Corporations Regulations**" means the *Corporations Regulations 2001* (Cth);

"**Directors**" means the Directors of the Company as at the date of this Notice;

"**Equity Securities**" has the meaning given to that term in the Listing Rules;

"**Explanatory Memorandum**" means this Explanatory Memorandum as modified or varied by any supplementary memorandum issued by the Company from time to time;

"**Group**" means the Company and its controlled entities;

"**Key Management Personnel**" has the same meaning as in the accounting standards and includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

"**Meeting**" or "**Annual General Meeting**" means the annual general meeting convened by this Notice;

"**Notice**" or "**Notice of Meeting**" means the notice convening the annual general meeting of the Company to be held on 14 November 2016 which accompanies this Explanatory Memorandum;

"**Option**" means an option to acquire a Share;

"**Plan**" means the Company's Employee Share Option Plan;

"**Proxy Form**" means the proxy form that is enclosed with and forms part of this Notice;

"**Remuneration Report**" means the remuneration report set out in the Directors' Report section of the Company's Annual Financial Report for the year ended 30 June 2016.;

"**Resolution**" means a resolution in the form proposed in the Notice of Meeting;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means a registered holder of a Share in the Company;

"**Trading Day**" means a day determined by ASX to be a trading day and notified to market participants.

"**VWAP**" means, in relation to a particular period, the volume weighted average sale price of Shares sold on the ASX over that period, excluding "block trades", "large portfolio trades", "permitted trades during the pre-trading hours period", "permitted trades during the post-hours trading period", "out of hours trades" (each of

those expressions has the same meaning as in the ASIC Market Integrity Rules (Competition in Exchange Markets) 2011) and exchange traded option exercises.

**ANNEXURE A – ISSUES OF EQUITY SECURITIES SINCE 2015 ANNUAL GENERAL MEETING**

<b>Issue Date</b>	<b>Quantity</b>	<b>Class</b>	<b>Recipients</b>	<b>Issue price and discount to market price (if applicable)</b>	<b>Form of consideration</b>
14/01/2016	37,123,956	Fully paid ordinary shares	Exempt investors pursuant to Chapter 7 of the ASX Listing Rules	The securities were issued at a price of \$0.01 which was a \$0.000084 discount to the market price of \$0.010084 at the date of issue.	Cash only. Funds used for working capital purposes  Current value of Shares: \$222,744
17/03/2016	105,914,570	Fully paid ordinary shares	Current shareholders of the Company, pursuant to a non-renounceable pro rata rights issue	The securities were issued at a price of \$0.01 which was a \$0.001 discount to the market price of \$0.011 at the date of issue.	Cash only. Funds used for settlement of debts and creditors, product development, working capital and payment of expenses of rights issue  Current value of Shares: \$635,487
17/03/2016	105,914,570	Unlisted options  Exercise price: \$0.016  Expiry date: 30 November 2016	Current shareholders of the Company, pursuant to a non-renounceable pro rata rights issue	Nil consideration	Non cash consideration. Provided as free-attaching to the derived security under rights issue  Current value of Options: \$10,591
04/04/2016	178,702,432	Fully paid ordinary shares	Underwriter of rights issue, Transocean Securities Pty Ltd (ACN 009 230 120)	The securities were issued at a price of \$0.01 which was a \$0.001 discount to the market price of \$0.011 at the date of issue.	Cash only. Funds used for settlement of debts and creditors, product development, working capital and payment of expenses of rights issue  Current value of Shares: \$1,072,215
04/04/2016	178,702,432	Unlisted options  Exercise price: \$0.016  Expiry date: 30 November 2016	Underwriter of rights issue, Transocean Securities Pty Ltd (ACN 009 230 120)	Nil consideration	Non cash consideration. Provided as free-attaching to the derived security under rights issue  Current value of Options: \$17,870

**ANNEXURE B – TERMS OF OPTIONS SUBJECT OF RESOLUTIONS 5, 6 AND 8**

- (a) Each option entitles the holder to acquire one ordinary fully paid share in the capital of the Company.
  - (b) The exercise price of each option is set out in the explanatory memorandum which relates to the issue of that option.
  - (c) The expiry date of each option is set out in the explanatory memorandum which relates to the issue of that option ("the Expiry Date"). The options can be exercised by completing the option exercise form and delivering it together with the payment for the number of shares in respect of which the options are exercised to the registered office of the Company. Any option that has not been exercised prior to the Expiry Date automatically lapses. Holders shall not be entitled to exercise their options (and the Company will not be required to issue shares upon such exercise) if it would be unlawful to do so.
  - (d) The exercise price is payable in full on exercise.
  - (e) Subject to the Corporations Act, the ASX Listing Rules, and the Constitution of the Company and unless otherwise specified at the time of issue, options are freely transferable. All shares issued upon exercise of options will rank pari passu in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of options, subject to any restriction obligations imposed by ASX.
  - (f) The options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant options.
  - (g) There are no participation rights or entitlements inherent in the options. Option holders are not entitled to participate in new issues of securities offered to shareholders without first exercising the options. Subject to any waiver granted by ASX, the Company will send notices to option holders at least five business days prior to the record date applying to offers of securities made to shareholders during the currency of the options.
  - (h) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of options or the exercise price of the options or both shall be reconstructed in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction.
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## **ANNEXURE C – SUMMARY OF TERMS OF ESOP**

The below is a summary of the terms of the Company's Employee Share Option Plan (**Plan**). Shareholders may request a copy of the Plan by writing to the Company Secretary.

### **Eligible employees**

Any employee of the Company, or any of its subsidiaries, or their associate, may receive an invitation to participate in the Plan (**Participant**). An executive director is considered to be an eligible Participant in the Plan, however non-executive directors are excluded from participation.

### **Invitation to participate**

An invitation to participate in the Plan may include the following information, determined by the Board:

- the number of Options in respect of which a Participant is invited to apply and whether vesting occurs in tranches;
- the exercise price;
- the exercise conditions, if any;
- the exercise period, if any;
- the trading restriction period, if any;
- if applicable, the details of any loan to be advanced by the Company to the Participant for the acquisition of Shares on exercise of the Options;
- the time period in which the Participant may apply for the Options under the invitation; and
- any other terms and conditions as determined by the Board.

Unless otherwise determined by the Board, Options awarded under the Plan will be issued for no monetary consideration.

### **Entitlement**

Subject to the terms of the Plan, an Option that is exercised entitles the Participant to be issued one Share.

Participants must not sell, transfer, mortgage, charge or otherwise deal with or encumber and Option, except without the prior approval of the Board.

### **Loans**

The Company may lend the Participant up to the full amount required to pay the exercise price of the Options, as set out in the invitation to the Participant. Interest shall be payable, and the loan shall be repaid, in accordance with the terms of the invitation.

The loan given to a Participant to acquire the Options may be limited recourse. The Participant shall have no obligation to repay the full amount of the loan where the net proceeds of the sale of the Shares are less than the amount of the loan.

### **Exercise**

Options can only be exercised if they have not lapsed and any applicable exercise conditions have been satisfied.

Where any entity announces its intention to make an offer to acquire the Shares of the Company under Part 6.3 or 6.4 of the Corporations Act, the Board may determine in its absolute discretion that a relevant exercise condition has been met or waived.

### **Allocation of Shares**

All Shares issued under the Plan will rank equally with the Shares on issue at that time.

The Company will apply to the ASX within a reasonable time for the Shares that are allotted and issued to be quoted as ASX.

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### **Restriction on disposal of Shares**

The Company may impose restriction conditions on Shares issued on exercise of the Options under the Plan. Participants must not dispose of, or otherwise deal with, any Shares issued, transferred to, or allocated to the Participant under the Plan.

When a Shares ceased to be a restricted share, all restrictions on dealing with Shares will cease.

The Board may, in its sole discretion, waive a restriction period.

### **Termination of Employment**

A Participant's Options will not automatically lapse if the Participant ceases to be employed by the Company or a group company.

A Participant's Options will lapse if that Participant resigns, dismissal arising from misconduct, or for any other reason if the Board so decides.

There are specific provisions relating to the exercise of Options on the death of a Participant.

### **Variation of Options**

In the event of:

- (a) A variation of the equity share capital of the Company, including a rights issue, bonus issue, consolidation or reduction of share capital;
- (b) A takeover, demerger or other reconstruction (excluding liquidation or receivership) of any other Company to which the performance of the Company is compared; or
- (c) Any other circumstances which cause the Board to consider that a changed exercise condition would be a fairer measure of performance, and would be no less difficult to satisfy, or that the exercise condition should be waived,

the Board may adjust the number of Shares subject to an Option, the number of Options, the exercise price, any applicable exercise condition and/or any cash payment to be made under the Plan.

Participants will not be entitled to participate in new issues of Shares, however will be given the opportunity to exercise any available Options prior to the record date for determining entitlements to any new issues.

### **Lapse of Options**

An Option issued under the Plan lapses on the earlier of:

- (a) The expiration of 15 years;
  - (b) The end of the exercise period;
  - (c) Notification by the Board that the exercise conditions cannot be satisfied;
  - (d) Cessation of employment (in the circumstances described above);
  - (e) Fraud or dishonesty by the Participant.
-