
MEMPHASYS LIMITED

ACN 120 047 556

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 3pm Eastern Daylight Savings Time

DATE: Thursday, 21 December 2017

PLACE: Boardroom Pty Ltd,
Level 12, 225 George St Sydney NSW 2000

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

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

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 (Sydney time) on Tuesday, 19 December 2017.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ISSUE OF SHARES PURSUANT TO PLACEMENT

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 7.1 and for all other purposes, approval is given for the Company to issue up to 1,025,858,766 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of 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). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting 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.

2. RESOLUTION 2 – ISSUE OF SHARES TO MR ANDREW GOODALL (OR NOMINEE) PURSUANT TO PLACEMENT

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 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 843,246,194 Shares to Mr Andrew Goodall (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Andrew Goodall (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting 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.

3. RESOLUTION 3 – ISSUE OF SHARES TO MS ALISON COUTTS (OR NOMINEE) PURSUANT TO PLACEMENT

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 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 880,895,040 Shares to Ms Alison Coutts (or her nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Ms Alison Coutts (and her nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting 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 November 2017

By order of the Board

Andrew Metcalfe
Company Secretary

Voting in person

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

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 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 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 changes to the Corporations Act made in 2011 mean 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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 (0)412 125 090.

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. BACKGROUND TO CAPITAL RAISING AND DEBT CONVERSION

1.1 General

As announced by the Company on 21 November 2017, the Company is proposing to raise approximately \$3.75 million through a combination (together, the **Capital Raising**) of a 1 for 1 non-renounceable entitlement issue of Shares (**Entitlement Issue**), issue of convertible notes (**Convertible Notes**) and a Share placement to exempt investors under section 708 of the Corporations Act (**Placement**). Shares issued pursuant to the Capital Raising will be issued at a price of \$0.001 per Share.

Under the Capital Raising, approximately \$1.78 million of existing debt owed by the Company (**Indebtedness**) will be offset and applied to monies payable for subscriptions for Shares (**Settlement Shares**) under the Entitlement Issue and Placement (**Debt Settlement**) by the various lenders (**Lenders**). The Company has entered into Settlement and Offset Deeds with each of the Lenders such that upon issue of the Settlement Shares, the Indebtedness shall be settled in full and the Company will have no further liability or obligations owing with respect to the Indebtedness. Refer to Schedule 1 for further details of the Debt Settlement.

The purpose of this Notice of Meeting is for the Company to seek the requisite Shareholder approvals to enable it to:

- (a) undertake the Placement; and
- (b) issue Settlement Shares under the Placement to Mr Andrew Goodall and Ms Alison Coutts (or their nominee) (**Relevant Directors**), who are related parties of the Company by virtue of being Directors, in satisfaction of outstanding debts owed to the Relevant Directors.

Further information with respect to the Capital Raising and Debt Settlement are set out below and in the Company's announcement on 21 November 2017.

1.2 Details of the Capital Raising

- (a) **Entitlement Issue**

The Company is proposing to undertake a pro-rata non-renounceable entitlement issue on the basis of 1 Share for every 1 Share held by existing Shareholders, at an issue price of \$0.001 per Share to raise approximately \$699,821. Patersons Securities Limited (**Patersons Securities**) has been appointed to act as Lead Manager to the Entitlement Issue.

It is proposed that \$240,102.60 in outstanding debt owed to Mr Goodall will be converted into Shares via Mr Goodall subscribing for \$240,102.60 worth of his entitlement under the Entitlement Issue.

The \$459,718.40 of remaining funds from the Entitlement Issue will be used for the development of the Felix device, working capital and to pay the associated costs of the Capital Raising.

The Company anticipates that, subject to final discussions, the Entitlement Issue will be fully underwritten.

(b) Convertible Notes

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

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

Pursuant to the ASX Listing Rules, as the Company currently does not have any available placement capacity, until Shareholder approval is received for the issue and conversion of the Convertible Notes, funds advanced to the Company pursuant to the convertible note facility are treated as a loan (rather than a security). The Company is seeking Shareholder approval for the issue and conversion of the Convertible Notes at the AGM.

The Convertible Notes will convert into Shares automatically upon completion of the Entitlement Issue and Placement at a conversion price of \$0.001, with a 1 for 2 free attaching option (exercisable at \$0.002 on or before the date which is 2 years from their date of issue).

Further details with respect to the convertible note facility are outlined in the notice of AGM.

(c) Placement

Subject to Shareholder approval, in conjunction with the Entitlement Issue, the Company is proposing to undertake a placement of 2,750,000,000 Shares to exempt investors under section 708 of the Corporation Act at an issue price of \$0.001 per Share to raise \$2,750,000 (before costs and including conversion of \$1,515,396.82 of existing debt to equity).

Remaining funds following the debt conversion under the Placement will be used for the development of the Felix device, working capital and to pay the associated costs of the Capital Raising.

1.3 Details of the Debt Conversion

Details of the Indebtedness owed to the Lenders and the proposed issue of Settlement Shares in satisfaction of the Indebtedness are set out in Schedule 1.

1.4 Capital Structure

The effect of the Capital Raising on the capital structure of the Company is set out below and assumes:

- (a) completion of the Entitlement Issue;
- (b) completion of the Placement;
- (c) the issue and conversion of the full amount of the convertible note facility; and
- (d) that no Options are exercised or other Shares are issued:

	Shares	Options	Convertible Notes
Securities currently on issue as at the date of this Notice	699,821,360	10,200,000¹	40,000²
Expiry of Options on 5 December 2017	-	(1,200,000)	-
Convertible Notes to be issued following Shareholder approval at the AGM	-	-	Convertible Notes with a combined face value of \$300,000
Shares to be issued pursuant to Entitlement Issue	699,821,360	-	-
Shares to be issued pursuant to Placement	2,750,000,000	-	-
Shares to be issued on conversion of Convertible Notes	300,000,000	-	-
Options issued on conversion of Convertible Notes	-	150,000,000	-
Total securities on issue after completion of the Entitlement Issue²	4,449,642,720	159,000,000	Nil

Notes:

1. Comprising:
 - a. 1,200,000 unquoted options (exercisable at \$0.1015 on or before 5 December 2017);
 - b. 4,000,000 unquoted options (exercisable at \$0.02 on or before 25 November 2019); and
 - c. 5,000,000 unquoted options (exercisable at \$0.006 on or before 31 December 2018) and subject to vesting conditions.
2. Comprising 40,000 Convertible Notes with a face value of \$1 each, convertible into a maximum of 6,666,667 Shares at a conversion price of \$0.006, at the election of the note holder. These notes are held by John Aitken and are proposed to be converted into Shares under the Placement (refer to Schedule 1 for details).

1.5 Substantial Shareholders

As at the date of this Notice, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Andrew Goodall	240,102,598	34.31

As set out in the indicative timetable for the Capital Raising in Section 1.6 below (and assuming all Resolutions are passed at the Meeting) it is intended that all securities to be issued under the Capital Raising will be issued simultaneously, on the same date.

It is proposed that the Relevant Directors will be issued the following Shares pursuant to the Entitlement Issue and Placement:

- (a) **Entitlement Issue:** the Company proposes to offset \$240,102.60 of outstanding debts owed to Mr Goodall by way of Mr Goodall subscribing for his full Entitlement under the Entitlement Issue (being \$240,102.60); and
- (b) **Placement:** the Company proposes to issue:
 - (i) Alison Coutts (or her nominee) 880,895,040 Shares under the Placement, in satisfaction of \$880,895.04 worth of debt that will be owed to Ms Coutts (or her associates) by the Company as at the date of the Meeting (refer to Schedule 1 for details);
 - (ii) Andrew Goodall a total of 843,246,194 Shares as follows:
 - (A) 513,246,194 Shares in satisfaction of \$513,246.19 worth of debt that will be owed to Mr Goodall by the Company as at the date of the Meeting (refer to Schedule 1 for details); and
 - (B) 330,000,000 Shares upon a cash subscription of \$330,000 in the Placement by Mr Goodall.

As such, it is anticipated that the following persons (together with their associates) will have a relevant interest in 5% or more of the Shares on issue upon completion of the Capital Raising:

Shareholder	Shares	%
Andrew Goodall	1,323,451,390 ¹	29.74 ²
Alison Coutts	884,883,248 ³	19.89 ²

Notes:

1. Comprising:
 - a. 240,102,598 Shares currently held by Mr Goodall (or his associates) prior to the Capital Raising;
 - b. 240,102,598 Shares issued on conversion of debt under Entitlement Issue;
 - c. 513,246,194 Shares issued on conversion of debt under Placement; and
 - d. 330,000,000 Shares issued upon cash subscription by Mr Goodall under Placement.
2. Assuming 4,449,642,720 Shares on issue upon completion of the Capital Raising.

3. Comprising:
 - a. 3,988,208 Shares held by Ms Coutts (or her associates) prior to the Capital Raising; and
 - b. 880,895,040 Shares issued on conversion of debt under Placement.

In the event that Shares are issued pursuant to the Entitlement Issue prior to completion of the Placement, on the basis that the Entitlement Issue is proposed to be fully underwritten (and that it is a proposed condition of the underwriting that no party will be issued shortfall Shares if the issue of such Shares would contravene section 606 of the Corporations Act), it is anticipated that the following persons (together with their associates) will have a relevant interest in 5% or more of the Shares on issue upon completion of the Entitlement Issue:

Shareholder	Shares	%
Andrew Goodall	480,205,196 ¹	34.31 ²

Notes:

1. Assuming 1,399,642,720 Shares on issue upon completion of the Entitlement Issue.

The Company confirms that no Shares will be issued to any party if the issue of such Shares would contravene section 606 of the Corporations Act.

1.6 Indicative Timetable

The indicative timetable for the Capital Raising is as follows:

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

Note: The timetable is indicative only and subject to change.

2. RESOLUTION 1 – ISSUE OF SHARES PURSUANT TO PLACEMENT

2.1 General

Resolution 1 seeks Shareholder approval for the issue of up to 1,025,858,766 Shares at an issue price of \$0.001 per Share to raise up to \$1,025,858.77 pursuant to the Placement (before costs and including debt conversions), as detailed in section 1 above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue 1,025,858,766 Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

It is noted that the Company proposes to issue a total of 2,750,000,000 Shares under the Placement. The Company is separately seeking Shareholder approval to allow the Relevant Directors to participate in the Placement as follows:

- (a) pursuant to Resolution 2, the issue of 843,246,194 Shares to Andrew Goodall (or his nominee) under the Placement as follows:

- (i) 513,246,194 Shares in satisfaction of \$513,246.19 worth of debt that will be owed to Mr Goodall by the Company as at the date of the Meeting (refer to Schedule 1 for details); and
 - (ii) 330,000,000 Shares upon a cash subscription in the Placement by Mr Goodall; and
- (b) pursuant to Resolution 3, the issue of 880,895,040 Shares to Alison Coutts (or her nominee) under the Placement, in satisfaction of \$880,895.04 worth of debt that will be owed to Ms Coutts (or her associates) by the Company as at the date of the Meeting (refer to Schedule 1 for details).

It is noted that if Resolutions 2 and 3 are not approved by Shareholders, the total value of the placement will be significantly decreased.

2.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is 1,025,858,766;
- (b) the Shares 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 ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.001 per Share;
- (d) the Shares will be issued to exempt investors under section 708 of the Corporations Act. None of these subscribers will be related parties of the Company;
- (e) the 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; and
- (f) the Company intends to use the funds raised (together with conversion of debt) under the Placement for the settlement of existing Indebtedness, development of the Felix device, working capital and to pay the associated costs of the Capital Raising.

3. RESOLUTIONS 2 AND 3 – ISSUE OF SHARES TO RELATED PARTIES PURSUANT TO THE PLACEMENT

3.1 General

Pursuant to Resolution 1 the Company is seeking Shareholder approval for the issue of up to 1,025,858,766 Shares pursuant to the Placement.

As detailed in section 2.1 above, the Company is separately seeking Shareholder approval to allow the Relevant Directors to participate in the Placement as follows:

- (a) pursuant to Resolution 2, the issue of 843,246,194 Shares to Andrew Goodall (or his nominee) under the Placement as follows:
 - (i) 513,246,194 Shares in satisfaction of \$513,246.19 worth of debt that will be owed to Mr Goodall by the Company as at the date of the Meeting (refer to Schedule 1 for details); and
 - (ii) 330,000,000 Shares upon a cash subscription in the Placement by Mr Goodall; and
- (b) pursuant to Resolution 3, the issue of 880,895,040 Shares to Alison Coutts (or her nominee) under the Placement, in satisfaction of \$880,895,040 worth of debt that will be owed to Ms Coutts (or her associates) by the Company as at the date of the Meeting (refer to Schedule 1 for details); and

(together, the **Related Party Participation**).

Resolution 2 and 3 seek Shareholder approval for the Related Party Participation.

3.2 Settlement and Offset Deeds

As detailed in Section 1.1 above, the Company has entered into Settlement and Offset Deeds with each of the Lenders, including the Relevant Directors.

The Settlement and Offset Deeds for the Relevant Directors provide that, in the event the Entitlement Issue is completed but Resolutions 2 and/or 3 (as applicable) are not passed:

- (a) In relation to outstanding Indebtedness owed to Mr Goodall (**Outstanding Goodall Debt**), the Company undertakes to, within 60 days of this Meeting, seek Shareholder approval at a general meeting (**EGM**) to convert the Outstanding Goodall Debt into Shares, on the same terms as the Placement. In the event Shareholder approval is not received, the Outstanding Goodall Debt is repayable in full, within 60 days of the EGM.
- (b) In relation to outstanding Indebtedness owed to Ms Coutts (**Outstanding Coutts Debt**), the Company undertakes to repay the Outstanding Coutts Debt in three equal six-monthly instalments, over a period of 18 months.

In both instances, the full amount of the remaining debt is due and payable within 30 days of the Company completing capital raisings which together raise in excess of \$2.5 million or if the Company terminates the directorship of the Relevant Directors (other than for cause).

3.3 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 Related Party Participation will result in the issue of Shares which constitutes giving a financial benefit and the Relevant Directors are each a related party of the Company by virtue of being Directors.

The Directors (other than Mr Goodall in relation to Resolution 2 and Ms Coutts in relation to Resolution 3 given their material personal interests in these respective Resolutions) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Related Party Participation because the Shares will be issued to the Relevant Directors on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

3.4 Section 195(4) of the Corporations Act

Section 195 of the Corporations Act provides that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered, except in certain limited circumstances. Section 195(4) relevantly provides that if there are not enough Directors to form a quorum for a Directors meeting because of this restriction, one or more of the Directors may call a general meeting and the general meeting may pass a resolution to deal with the matter.

It might be argued (but it is neither conceded nor, indeed, is it thought by the Board to be the case) that two of the three Directors comprising the Board (the Relevant Directors) have a material personal interest in the outcome of Resolutions 2 and 3. If each does have such an interest, then a quorum could not be formed to consider the matters contemplated by Resolutions 2 and 3 at Board level.

For the avoidance of any doubt, and for the purpose of transparency and best practice corporate governance, the Company also seeks Shareholder approval for Resolutions 2 and 3 for the purposes of section 195(4) of the Corporations Act.

3.5 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Related Party Participation involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

3.6 Relevant Interest

Upon completion of the Capital Raising, the relevant interest of the Relevant Directors in the Shares of the Company is set out in Section 1.5 above.

3.7 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 the Related Party Participation:

- (a) the Shares will be issued to the Relevant Directors (or their nominee);
- (b) the maximum number of Shares to be issued is 1,724,141,234, comprising:
 - (i) pursuant to Resolution 2, the issue of 843,246,194 Shares to Andrew Goodall (or his nominee) as follows:
 - (A) 513,246,194 Shares in satisfaction of \$513,246.19 worth of debt that will be owed to Mr Goodall by the Company as at the date of the Meeting (refer to Schedule 1 for details); and
 - (B) 330,000,000 Shares upon a cash subscription in the Placement by Mr Goodall; and
 - (ii) pursuant to Resolution 3, the issue of 880,895,040 Shares to Alison Coutts (or her nominee), in satisfaction of \$880,895.04 worth of debt that will be owed to Ms Coutts (or her associates) by the Company as at the date of the Meeting (refer to Schedule 1 for details);
- (c) the Shares 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);
- (d) the issue price will be \$0.001 per Share, being the same as all other Shares issued under the Placement;
- (e) the 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; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 2.2(f) of this Explanatory Statement.

As approval for the Related Party Participation is being obtained under ASX Listing Rule 10.11, the issue of Shares to the Relevant Directors (or their nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

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.

ASX Listing Rules means the Listing Rules of ASX.

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.

Chair means the chair of the Meeting.

Company means Memphasys Limited (ACN 120 047 556).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

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.

Proxy Form means the proxy form accompanying the Notice.

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.

SCHEDULE 1 – DETAILS OF INDEBTEDNESS AND DEBT SETTLEMENT

1. ANDREW GOODALL

Details of Indebtedness:

Type of Indebtedness	Loan Document	Principal	Interest accrued up to 21/12/17	Balance at 21/12/17	Interest rate	Start date	Expiry date	Security
Convertible Loan	Convertible Note Agreement between Memphasys Limited and Andrew Ernest Goodall dated 16 September 2016	\$450,000.00	\$56,000.00	\$506,000.00	10%	16/09/2016	16/09/2018	PPSR registered
Aggregated Loans	Loan Facility Letter between Memphasys Limited and Andrew Ernest Goodall dated 15 November 2017 (Letter Agreement). The Letter Agreement formalises the terms of a series of loans from Mr Goodall to Memphasys Limited between 16/01/17 and 31/10/17.	\$161,083.36	\$8,981.45	\$170,064.81	10%	16/01/2017 to 31/10/2017	At call	None
Director Fees	N/A – Director fees owed for period from October 2016 to 21 December 2017	\$54,166.58	Nil	\$61,249.90	N/A	N/A	N/A	N/A
Travel expenses	N/A – reimbursement of travel expenses incurred by Mr Goodall between December 2016 and August 2017, in accordance with the Memphasys Constitution	\$16,034.08	Nil	\$16,034.08	N/A	N/A	N/A	N/A
Total		\$681,284.02	\$64,981.45	\$753,348.79				

Details of Debt Settlement:

Details	Debt as at 21 December 2017	To convert under Rights Issue	Rights Issue Subscription Shares	To convert under Placement	Placement Subscription Shares	Total converted	Total Subscription Shares	Total not converted ¹
Convertible Loan	\$506,000.00	\$240,102.60	240,102,598	\$265,897.40	265,897,402	\$506,000.00	506,000,000	Nil
Loans	\$170,064.81	Nil	Nil	\$170,064.81	170,064,810	\$170,064.81	170,064,810	Nil
Director fees	\$61,249.90	Nil	Nil	\$61,249.90	61,249,902	\$61,249.90	61,249,900	Nil
Travel expenses	\$16,034.08	Nil	Nil	\$16,034.08	16,034,080	\$16,034.08	16,034,080	Nil
Total	\$753,348.79	\$240,102.60	240,102,598	\$513,246.19	513,246,194	\$753,348.79	753,348,790	Nil

1. Following completion of the Capital Raising, the Company will still owe an associate of Mr Goodall, AEMAGOOD Pty Ltd <Goodall Family Super Fund>, a total of \$22,542.60 in satisfaction of prior loans.

2. ALISON COUTTS

Details of Indebtedness:

Type of Indebtedness	Loan Document	Principal	Interest accrued up to 21/12/17	Balance at 21/12/17	Interest rate	Start date	Expiry date	Security
Convertible Loan	Convertible Note Agreement between Memphasys Limited and Alison Coutts	\$427,000.00	\$53,137.68	\$480,137.68	10%	16/09/2016	16/09/2018	PPSR registered

	dated 16 September 2016							
Loan	Loan Agreement between Memphasys Limited and Alison Coutts dated 23 February 2017. The Loan Agreement formalises the terms of a series of loans from Ms Coutts to Memphasys Limited between 20/12/16 and 10/02/17.	\$300,000.00	\$25,677.41	\$325,677.41	10%	23/02/2017	23/02/2017	PPSR registered
Line credit \$200k	Loan Agreement between Memphasys Limited and Alison Coutts dated 23 February 2017. The Loan Agreement formalises the terms of a series of loans from Ms Coutts to Memphasys Limited between 25/03/17 and 14/06/17.	\$200,315.06	\$13,203.99	\$213,519.05	10%	23/02/2017	23/02/2017	PPSR registered
Extension line cred \$200k	Loan Facility Letter between Memphasys Limited and Alison Coutts dated 21 June 2017 (Letter Agreement). The Letter Agreement formalises the terms of a series of loans from Ms Coutts to Memphasys Limited between 21/06/17 and 30/10/17.	\$233,200.00	\$7,815.40	\$241,015.40	10%	21/06/2017	23/02/2017	None
Director Fees	N/A – Salaries owed for period from January 2017 to June 2017 and from September 2017 to October 2017 based on Ms Coutts' annual remuneration of \$277,500 pursuant to Ms Coutts' executive services agreement dated 01/07/2014.	\$109,022.00	Nil	\$109,022.00	N/A	N/A	N/A	N/A
Travel expenses	N/A – reimbursement of travel expenses incurred by Ms Coutts between May and August 2017, in accordance with Ms Coutts executive services agreement dated 01/07/2014.	\$7,535.00	Nil	\$7,535.00	N/A	N/A	N/A	N/A
Total		\$1,277,072.06	\$99,834.48	\$1,376,906.54				

Details of Debt Settlement:

Details	Debt as at 21 December 2017	To convert under Rights Issue	To convert under Placement	Total converted	Subscription Shares	Total not converted
Convertible Loan	\$480,137.68	Nil	\$480,137.68	\$480,137.68	480,137,680	Nil

Loan \$300k	\$325,677.41	Nil	Nil	Nil	Nil	\$325,677.41
Line credit \$200k	\$213,519.05	Nil	Nil	Nil	Nil	\$213,519.05
Ext line cred \$200k	\$241,015.40	Nil	\$241,015.40	\$241,015.40	241,015,400	Nil
Director Fees	\$109,022.00	Nil	\$109,022.00	\$109,022.00	109,022,000	Nil
Travel expenses	\$7,535.00	Nil	\$7,535.00	\$7,535.00	7,535,000	Nil
Total	\$1,376,906.54	Nil	\$837,710.08	\$837,710.08	837,710,080	\$539,196.46

3. ALISON COUTTS CONSULTING PTY LTD <ALISON COUTTS SUPER FUND>

Details of Indebtedness:

Type of Indebtedness	Loan Document	Principal	Interest accrued up to 21/12/17	Balance at 21/12/17	Interest rate	Start date	Expiry date	Security
Convertible Loan	Convertible Note Agreement between Memphasys Limited and Alison Coutts Consulting Pty Ltd <Alison Coutts Super Fund> dated 16 September 2016	\$23,000.00	\$2,862.22	\$25,862.22	10%	16/09/2016	16/09/2018	PPSR registered
Loan	Loan Facility Letter between Memphasys Limited and Alison Coutts Super Fund dated 22 June 2017 (Letter Agreement). The Letter Agreement formalises the terms of a loan from Alison Coutts Super Fund to Memphasys Limited provided on 22 June 2017.	\$16,500.00	\$822.74	\$17,322.74	10%	22/06/2017	At call	None
Total		\$39,500.00	\$3,684.96	\$43,184.96				

Details of Debt Settlement:

Details	Debt as at 21 December 2017	To convert under Rights Issue	To convert under Placement	Total converted	Subscription Shares	Total not converted
Convertible Loan	\$25,536.39	Nil	\$25,862.22	\$25,862.22	25,862,220	Nil
Loan	\$17,092.19	Nil	\$17,092.19	\$17,092.19	17,092,190	Nil
Total	\$42,628.58	Nil	\$43,184.96	\$43,184.96	43,184,960	Nil

4. JOHN AITKEN

Details of Indebtedness:

Type of Indebtedness	Loan Document	Principal	Interest accrued up to 21/12/17	Balance at 21/12/17	Interest rate	Start date	Expiry date	Security
Convertible Note	Convertible Note Agreement between Memphasys Limited and John Aitken dated 16 September 2016	\$40,000	\$4,977.78	\$44,977.78	10%	19/09/2016	19/09/2018	PPSR registered
Consulting Fees	N/A – Consulting fees owed for period from October 2016 to October 2017 pursuant to Consulting Agreement between NuSep Holdings Ltd (now Memphasys Limited) and John Aitken dated 18 December 2015.	\$67,939.81	Nil	\$67,939.81	N/A	N/A	N/A	None

Total		\$107,939.81	\$4,977.48	\$112,917.59				
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Details of Debt Settlement:

Details	Debt as at 21 December 2017	To convert under Rights Issue	To convert under Placement	Total converted	Subscription Shares	Total not converted
Convertible Note	\$44,411.11	Nil	\$44,977.78	\$44,977.78	44,977,780	Nil
Consulting Fees	\$67,939.81	Nil	\$67,939.81	\$67,939.81	67,939,810	Nil
Total		Nil	\$112,917.59	\$112,917.59	112,917,590	Nil

5. PABLO NEYERTZ

Details of Indebtedness:

Type of Indebtedness	Loan Document	Principal	Interest accrued up to 21/12/17	Balance at 21/12/17	Interest rate	Start date	Expiry date	Security
Incentive Pay	N/A – Incentive Payment owed for financial year 2015 pursuant to Employment Contract between NuSep Holdings Ltd (now Memphasys Limited) and Pablo Neyertz dated 14 November 2013.	\$8,338	Nil	\$8,338	N/A	N/A	N/A	None
Total		\$8,338	Nil	\$8,338				

Details of Debt Settlement:

Details	Debt as at 21 December 2017	To convert under Rights Issue	To convert under Placement	Total converted	Subscription Shares	Total not converted
Incentive Pay	\$8,338	Nil	\$8,338	\$8,338	8,338,000	Nil
Total		Nil	\$8,338	\$8,338	8,338,000	Nil

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3:00pm (AEDT) on Tuesday 19 December 2017.**

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:

- (a) 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.
- (b) 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 **3:00pm (AEDT) on Tuesday 19 December 2017.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 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.

Memphasys Limited

ACN 120 047 556

☐

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 Extraordinary General Meeting of the Company to be held at the offices of **Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 on Thursday, 21 December, 2017 at 3:00pm (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.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

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.

		For	Against	Abstain*
Resolution 1	Issue of Shares Pursuant to Placement	☐	☐	☐
Resolution 2	Issue of Shares to Mr Andrew Goodall (or nominee) Pursuant to Placement	☐	☐	☐
Resolution 3	Issue of Shares to Ms Alison Coutts (or nominee) Pursuant to Placement	☐	☐	☐

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 / / 2017