

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 11:00am (AEST) on Saturday, 19 October 2019.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

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

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

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

STEP 3 SIGN THE FORM

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

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

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

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

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

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (AEST) on Saturday, 19 October 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

📠 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.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

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

☐

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

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **30 Richmond Road, Homebush West NSW 2140 on Monday, 21 October 2019 at 11:00am (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 5, 6, 7, 8 or 9, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 5, 6, 7, 8 and 9 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 5, 6, 7, 8 and 9). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

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

		For	Against	Abstain*
Resolution 1	Ratification of Prior Issue of Shares Pursuant to Placement	☐	☐	☐
Resolution 2	Issue of Shares to Andrew Goodall Pursuant to Placement	☐	☐	☐
Resolution 3	Issue of Shares to Marjan Mikel Pursuant to Placement	☐	☐	☐
Resolution 4	Issue of Shares to Peters Investments Pursuant to Placement	☐	☐	☐
Resolution 5	Issue of Options to Andrew Goodall	☐	☐	☐
Resolution 6	Issue of Options to Alison Coutts	☐	☐	☐
Resolution 7	Issue of Options to Andrew Goodall	☐	☐	☐
Resolution 8	Issue of Options to Marjan Mikel	☐	☐	☐
Resolution 9	Issue of Options to Shane Hartwig	☐	☐	☐

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 / / 2019

MEMPHASYS LIMITED

ACN 120 047 556

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00 am AEST
DATE: 21 October 2019
PLACE: 30 Richmond Road
HOMEBUSH WEST NSW 2140

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

This Notice of Meeting 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 7:00 pm (AEST) on 19 October 2019.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR 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 7.4 and for all other purposes, Shareholders ratify the issue of 70,144,928 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 participated in the issue or any associates of 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 ANDREW GOODALL 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 10.11 and for all other purposes, approval is given for the Company to issue up to 36,956,522 Shares to 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 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 MARJAN MIKEL 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 10.11 and for all other purposes, approval is given for the Company to issue up to 2,173,913 Shares to Marjan Mikel (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 Marjan Mikel (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.

4. RESOLUTION 4 – ISSUE OF SHARES TO PETERS INVESTMENTS 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 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the voting power of Peters Investments Pty Ltd and associates in the Company to increase from 21.2% to up to 28% pursuant to Peters Investments Pty Ltd (or its nominee) subscribing under the Placement for up to 73,333,333 Shares 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 Peters Investments Pty Ltd (and its 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.

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

5. RESOLUTION 5 – ISSUE OF OPTIONS TO ANDREW GOODALL

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

"That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 989,681 Options to Andrew Goodall (or his nominee) 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 Andrew Goodall (or his nominee) or any of their associates (**Resolution 5 Excluded Party**). 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, provided the Chair is not a Resolution 5 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:
 - (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ISSUE OF OPTIONS TO ALISON COUTTS

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

"That, for the purposes section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 18,000,000 Options to Alison Coutts (or her nominee) 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 Alison Coutts (or her nominee) or any of their associates (**Resolution 6 Excluded Party**). 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, provided the Chair is not a Resolution 6 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – ISSUE OF OPTIONS TO ANDREW GOODALL

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

“That, for the purposes of 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 1,099,646 Options to 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 Andrew Goodall (or 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – ISSUE OF OPTIONS TO MARJAN MIKEL

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 1,099,646 Options to Marjan Mikel (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 Marjan Mikel (or 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (iii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. RESOLUTION 9 – ISSUE OF OPTIONS TO SHANE HARTWIG

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 1,099,646 Options to Shane Hartwig (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 Shane Hartwig (or 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 9 September 2019

By order of the Board

Mr 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 2 8415 7300.

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 RESOLUTIONS 1-4

On 9 July 2019, the Company announced a capital raising comprising the issue of Shares to sophisticated, professional and other exempt investors pursuant to section 708 of the Corporations Act at an issue price of \$0.023 to raise up to approximately \$4,200,000 (before costs) (**Placement**). The Placement will result in the issue of up to 183,608,696 Shares (**Placement Shares**) and will be completed in two tranches as follows:

- (a) the first tranche was completed on 15 July 2019 and comprised the issue of 70,144,928 Placement Shares, raising \$1,613,333 (**Tranche 1**); and
- (b) the second tranche is subject to the receipt of Shareholder approval and will comprise the issue of up to 112,463,768 Placement Shares to raise up to \$2,586,667 (including the conversion of \$293,039 of debt to equity) (**Tranche 2**).

The Placement Shares the subject of Tranche 1 were issued out of the Company's placement capacity pursuant to ASX Listing Rule 7.1. Resolution 1 seeks ratification of the Tranche 1 Placement Shares.

Directors, Andrew Goodall and Marjan Mikel (**Relevant Directors**) intend to participate in Tranche 2 of the Placement. Resolutions 2 and 3 seek Shareholder approval for the issue of Placement Shares to the Relevant Directors.

Peters Investments Pty Ltd (**Peters Investments**), a substantial Shareholder of the Company, also intends to participate in Tranche 2 of the Placement. Resolution 4 seeks Shareholder approval for the issue of Placement Shares to Peters Investments.

2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 SHARES PURSUANT TO PLACEMENT

2.1 General

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Tranche 1 Placement Shares (**Ratification**).

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.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 70,144,928 Shares were issued;
- (b) the issue price was \$0.023 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated, professional and other exempt investors under section 708 of the Corporations Act. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue will be used to:
 - (i) cover tooling costs brought forward as a result of the appointment of W&S Plastics Pty Ltd to manufacture and assemble disposable cartridges for the Company's Felix device, as detailed in the Company's announcement dated 9 July 2019;
 - (ii) continue work on the development of the Company's Felix device; and
 - (iii) working capital.

3. RESOLUTIONS 2 & 3 – ISSUE OF SHARES TO ANDREW GOODALL AND MARJAN MIKEL

3.1 General

As outlined in section 1 above, the Company is seeking Shareholder approval to allow the Relevant Directors to participate in the Placement as follows:

- (a) Resolution 2 seeks Shareholder approval for the issue of up to 36,956,522 Shares to Andrew Goodall (or his nominee) pursuant to Tranche 2 of the Placement, comprising:
 - (i) 12,740,830 Shares to be issued in satisfaction of \$293,039 worth of debt owed to Mr Goodall by the Company pursuant to a series of interest free, working capital loans provided by Mr Goodall between 17 December 2018 and 22 March 2019 (**Working Capital Loans**); and
 - (ii) 24,215,692 Shares to be issued upon a cash subscription under the Placement by Andrew Goodall (or his nominee),
- (b) Resolution 3 seeks Shareholder approval for the issue of 2,173,913 Shares Marjan Mikel (or his nominee) upon a cash subscription by Mr Mikel under Tranche 2 of the Placement.

3.2 Chapter 2E of the Corporations Act

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

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

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

The participation by the Relevant Directors in the Placement will result in the issue of Shares which constitutes giving a financial benefit and each of Andrew Goodall and Marjan Mikel are a related party of the Company by virtue of being a Director.

The Directors (other than Mr Goodall in relation to Resolution 2 and Mr Mikel 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 Participation because the Shares will be issued to Andrew Goodall 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.

3.3 Section 606 of the Corporations Act

As a result of the proposed issue of Tranche 2 Placement Shares pursuant to Resolution 2, Andrew Goodall's voting power in the Company will increase from 21.7% to 23.4%. The acquisition is exempted from the general prohibition in section 606 of the Corporations Act by virtue of item 9 of section 611 of the Corporations Act (the "3% creep" exemption).

3.4 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 participation of the Relevant Directors in the Placement 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.

3.5 Technical Information required by ASX Listing Rule 10.13

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

- (a) the Shares will be issued to Andrew Goodall (pursuant to Resolution 2) and Marjan Mikel (Pursuant to Resolution 3) or their respective nominees;
- (b) the maximum number of Shares to be issued is;
 - (i) pursuant to Resolution 2, 36,956,522 Shares to Andrew Goodall; and
 - (ii) pursuant to Resolution 3, 2,173,913 Shares to Marjan Mikel;

- (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 \$0.023 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(e) of this Explanatory Statement. It is noted that no additional funds will be raised via the issue of Shares issued in satisfaction of \$293,039 worth of debt owed to Mr Goodall by the Company.

As approval for the participation of the Relevant Directors in the Placement 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.

4. RESOLUTION 4 – ISSUE OF SHARES TO PETERS INVESTMENTS PURSUANT TO PLACEMENT

As set out in section 1 above, Peters Investments, a substantial Shareholder in the Company, wishes to participate in the Placement. As at the date of this Notice of Meeting, Peters Investments has a relevant interest in 131,666,667 Shares in the Company.

It is proposed that Peters Investments will subscribe for an additional 73,333,333 Shares pursuant to Tranche 2 of the Placement. Upon issue of these Shares, Peters Investments will have a relevant interest in 205,000,000 Shares in the Company, representing an increase from 21.2% to 28% in the voting power of the Company (assuming completion of Tranche 2 of the Placement).

Resolution 4 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to issue 73,333,333 Shares to Peters Investments pursuant to Tranche 2 of the Placement (**Proposed Issue**).

4.1 Legislative Regime

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

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

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

(Prohibition).

(b) Voting Power

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

(c) **Associates**

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

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

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

(d) **Relevant Interests**

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

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

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

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

- (i) a body corporate in which the person's voting power is above 20%; or

- (ii) a body corporate that the person controls.

4.2 Reason Section 611 Approval is Required

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

Peters Investments currently has a relevant interest in 131,666,667 Shares in the Company, reflecting a voting power in the Company of 21.2% as at the date of this Notice of Meeting.

Following the Proposed Issue, Peters Investments will have a relevant interest in 205,000,000 Shares in the Company, representing 28% in the voting power in the Company (assuming completion of Tranche 2 of the Placement).

Accordingly, Resolution 4 seeks Shareholder approval for the purpose of section 611 Item 7 to enable the Company to issue 73,333,333 Tranche 2 Placement Shares to Peters Investments.

Section 4.3 below details the potential maximum increase in voting power of Peters Investments as a result of the Proposed Issue.

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

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

(a) Identity of Peters Investments and its associates

Peters Investments is an Australian proprietary limited company and investment entity owned by prominent Australian horse-owner breeder, Bob Peters.

The Company understands that there are no associates of Peters Investments which have a relevant interest in the Shares of the Company or will have a relevant interest in the Shares of the Company prior to or upon completion of the Placement.

(b) Voting Power and Relevant Interest

The relevant interest of Peters Investments and the voting power of Peters Investments in the Company (both current, and following the Proposed Issue) are set out in the table below:

	All Shareholders	Non-associated Shareholders	Peters Investments
Current shareholding	620,278,646	488,611,979	131,666,667
Current Voting Power	100%	78.8%	21.2%
Issue of Tranche 2 Placement Shares	112,463,768	39,130,435	73,333,333
Post-Tranche 2 Placement shareholding	732,742,414	527,742,414	205,000,000
Post-Placement Voting Power	100%	72%	28%

(i) **Summary of increases**

Following the Proposed Issue, Peters Investments will have a relevant interest in 205,000,000 Shares in the Company, representing an increase from 21.2% to 28% in the voting power of the Company.

(i) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (A) the Company has 620,278,646 Shares on issue as at the date of this Notice of Meeting;
- (B) the Company issues the Shares the subject of Resolutions 2, 3 and 4, completing Tranche 2 of the Placement;
- (C) no additional Shares are issued by the Company; and
- (D) Peters Investments does not acquire a relevant interest in any additional Shares in the Company.

Further details on the voting power of Peters Investments is set out in the Independent Expert's Report prepared by the Independent Expert.

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

Peters Investments wishes to participate in Tranche 2 of the Placement.

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

If Shareholder approval is obtained, 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).

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

As set out in Section 1, the Company is undertaking the Placement to raise a total of \$4.2 million. The Placement is being conducted in two tranches, with Tranche 1 (\$1,613,333) completing on 15 July 2019 and Tranche 2 (\$2,586,667) subject to Shareholder approval, which is being sought at the General Meeting.

All Shares issued under the Placement (including those the subject of the Proposed Issue) will rank *pari passu* with the other Shares of the Company.

(f) **Peters Investments' Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Peters Investments:

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

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

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

None of the current Directors have a material personal interest in the outcome of Resolution 4.

Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report, each of the Directors recommends that Shareholders vote in favour of Resolution 4.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

(h) **Capital Structure**

Details of the effects to the Company's capital structure resulting from the Proposed Issue is set out in section 4.3(b) above.

4.4 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

- (a) Peters Investments' proposed participation under the Tranche 2 Placement represents a cash subscription of \$1,686,667 which sum will be pivotal to assist the Company with its stated operational objectives including being fully funded into the sales launch of the Felix device (refer to the announcement "MEM appoints FELIX manufacturer and raises new capital" lodged by MEM on the Company's ASX Platform on 9 July 2019) and thereby possibly return value to Shareholders over the ensuing years;
- (b) Peters Investments is a strong institutional Shareholder partner who will continue to add value to the Company's strategic goals; and
- (c) the Independent Expert has concluded that the Proposed Issue is not fair but reasonable to the Shareholders of the Company.

4.5 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

- (a) the Proposed Issue will increase the voting power of Peters Investments from 21.2% up to approximately 28%, reducing the voting power of non-associated Shareholders in aggregate from 78.8% to approximately 72%;
- (b) the increased shareholding of Peters Investments may reduce the liquidity of the Company's Shares and impact the ability for a Shareholder to liquidate their investment; and
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of the issue.

4.6 Independent Expert's Report - Resolution 4

The Independent Expert's Report prepared by the Independent Expert (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 4 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 4 is **not fair but reasonable** to the Shareholders of the Company.

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

4.7 ASX Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of Shares subject of Resolution 4 as approval is being obtained for the purposes of Item 7 of Section 611 of the Corporations Act, which is an exception to ASX Listing Rule 7.1. Accordingly, the issue of Shares to Peters Investments (or its nominees) the subject of Resolution 4 will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTIONS 5 & 6 – ISSUE OF OPTIONS TO ANDREW GOODALL AND ALISON COUTTS

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue:

- (a) pursuant to Resolution 5, 989,681 Options, on the terms and conditions set out in Schedule 1, to Andrew Goodall (**Goodall Options**), as part consideration for the provision of the Working Capital Loans (as detailed in section 3.1(a) above), on favourable terms to the Company; and
- (b) pursuant to Resolution 6, 18,000,000 Options (**Incentive Options**) to Alison Coutts, exercisable at a 34% premium to the volume weighted average price of the Company's Shares for the 5 trading days prior to the Meeting, on or before the date which is 24 months from the date of their issue, which vest on the achievement of certain performance milestones and are otherwise on the terms and conditions set out in Schedule 2.

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 grant of the Goodall Options and Incentive Options constitutes giving a financial benefit Andrew Goodall and Alison Coutts (together, the **Related Parties**) are related parties of the Company by virtue of being Directors.

In addition, 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.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Goodall Options and the Incentive Options to the Related Parties.

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided

in relation to the proposed grant of the Goodall Options and the Incentive Options:

- (a) the related parties are Andrew Goodall and Alison Coutts and they are related parties by virtue of being Directors;
- (b) the maximum number of Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 989,681 Goodall Options to Andrew Goodall; and
 - (ii) 18,000,000 Incentive Options to Alison Coutts,
- (c) the Goodall Options and the Incentive Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Goodall Options and the Incentive Options will be issued on one date;
- (d) the Goodall Options and the Incentive Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Goodall Options and the Incentive Options are set out in Schedules 1 and 2 respectively;
- (f) the value of the Goodall Options and the Incentive Options, and the pricing methodologies are set out in Schedules 3 and 4 respectively;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Andrew Goodall	134,541,983 ¹	Nil ²
Alison Coutts	79,625,139	Nil

Notes:

- 1. The Company proposes to issue Mr Goodall an additional 36,956,522 Shares pursuant to Resolution 3.
- 2. The Company proposes to issue Mr Goodall an additional 1,099,646 Options pursuant to Resolution 7.

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Andrew Goodall	50,000	50,000
Alison Coutts	299,450	288,332

- (i) if the Goodall Options and the Incentive Options granted to the Related Parties are exercised, a total of 18,989,681 Shares would be issued. This will increase the number of Shares on issue from 620,278,646 to 639,268,327 (assuming that no other Options are exercised and no other Shares are

issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 2.97%, comprising 0.15% by the Goodall Options and 2.82% by the Incentive Options .

The market price for Shares during the term of the Goodall Options and the Incentive Options would normally determine whether or not they are exercised. If, at any time any of the Goodall Options and Incentive Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Goodall Options and the Incentive Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.0709	26 October 2018
Lowest	\$0.0098	26 September 2018
Last	\$0.045	6 September 2019

- (k) the primary purpose of the grant of the Goodall Options is as part consideration for the provision of the Working Capital Loans by Mr Goodall on favourable terms to the Company;
- (l) the primary purpose of the grant of the Incentive Options is to provide a performance linked incentive component in the remuneration package for Ms Coutts to motivate and reward performance in her role as Executive Chairman, the Incentive Options will vest upon certain conditions as set out in Schedule 2;
- (m) Andrew Goodall declines to make a recommendation to Shareholders in relation to Resolution 5 due to Andrew Goodall's material personal interest in the outcome of the Resolution on the basis that Andrew Goodall is to be granted Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 6, Andrew Goodall recommends that Shareholders vote in favour of that Resolution for the following reasons:
- (i) the grant of the Incentive Options, in particular, the attaching vesting conditions, will align the interests of the Ms Coutts with those of Shareholders;
 - (ii) the grant of the Incentive Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Ms Coutts; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Incentive Options upon the terms proposed;
- (n) Alison Coutts declines to make a recommendation to Shareholders in relation to Resolution 6 due to Alison Coutts' material personal interest in the outcome of the Resolution on the basis that Alison Coutts is to be granted Options in the Company should Resolution 6 be passed.

However, in respect of Resolution 5, Alison Coutts recommends that Shareholders vote in favour of that Resolution for the following reasons:

- (i) the Goodall Options are being granted as part consideration for the provision of the Working Capital Loans by Mr Goodall, on favourable terms to the Company. The Working Capital Loans enabled the Company to continue development of the Felix device until funds from the Company's March 2019 entitlement issue were available;
- (ii) the provision of the Working Capital Loans (on favourable terms) prevented the Company from incurring additional financing costs if the funds had been sourced from an alternative party;
- (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Incentive Options upon the terms proposed;
- (o) with the exception of Andrew Goodall and Alison Coutts, no other Director has a personal interest in the outcome of Resolutions 5 and 6;
- (p) Marjan Mikel and Shane Hartwig each recommend that Shareholders vote in favour of Resolutions 5 and 6 for the reasons set out in paragraphs (m) and (n), as applicable;
- (q) in forming their recommendations, each Director considered the current market price of Shares, the current market practices when determining the number of Options to be granted as well as the exercise price and expiry date of those Options; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5 and 6.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Goodall Options and the Incentive Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Goodall Options and the Incentive Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1

6. RESOLUTIONS 7-9 – ISSUE OF OPTIONS TO ANDREW GOODALL, MARJAN MIKEL AND SHANE HARTWIG

6.1 General

Andrew Goodall, Marjan Mikel and Shane Hartwig are each entitled to receive Director fees of \$50,000 per annum for the 12 month period following the Meeting (**Applicable Period**). The Company has agreed, subject to obtaining Shareholder approval, to issue:

- (a) pursuant to Resolution 7, 1,099,646 Options (on the terms and conditions set out in Schedule 2) to Andrew Goodall (or his nominee), in lieu of half of the Director fees (i.e. \$25,000) payable to Mr Goodall for the Applicable Period;
- (b) pursuant to Resolution 8, 1,099,646 Options (on the terms and conditions set out in Schedule 2) to Marjan Mikel (or his nominee), in lieu of half of

the Director fees (i.e. \$25,000) payable to Mr Mikel for the Applicable Period; and

- (c) pursuant to Resolution 9, 1,099,646 Options (on the terms and conditions set out in Schedule 2) to Shane Hartwig (or his nominee), in lieu of half of the Director fees (i.e. \$25,000) payable to Mr Mikel for the Applicable Period.

1/12 of the Options shall vest and become exercisable each month for the first 12 months following their issue, subject to the holder remaining a Director of the Company at the relevant vesting date.

Resolutions 7-9 seek Shareholder approval for the issue of these Options which are proposed to be issued to Messrs Goodall, Mikel and Hartwig on an advanced, no recourse basis, in exchange for their respective foregone Director fees for the Applicable Period (i.e. in the event that these Options are issued, the relevant Directors will not receive the relevant portion of their Director fees for the Applicable Period).

6.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in sections 3.2 and 3.3 above respectively.

The grant of Options constitutes giving a financial benefit and Messrs Goodall, Mikel and Hartwig are each a related party of the Company by virtue of being Directors.

The Directors (other than Mr Goodall in relation to Resolution 7, Mr Mikel in relation to Resolution 8 and Mr Hartwig in relation to Resolution 9, 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 grant of Options pursuant to Resolutions 7-9 because the Options are being issued in lieu of foregone Director fees. It is therefore considered that the exception in section 211 of the Corporations Act applies.

6.3 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 three of the four Directors comprising the Board (Messrs Goodall, Mikel and Hartwig) have a material personal interest in the outcome of Resolutions 7-9. If each does have such an interest, then a quorum could not be formed to consider the matters contemplated by Resolutions 7-9 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 7-9 for the purposes of section 195(4) of the Corporations Act.

6.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 6 and 7:

- (a) the Options will be granted to:
 - (i) pursuant to Resolution 7, Andrew Goodall (or his nominee);
 - (ii) pursuant to Resolution 8, Marjan Mikel (or his nominee); and
 - (iii) pursuant to Resolution 9, Shane Hartwig (or his nominee),
- (b) the number of Options to be issued is:
 - (i) pursuant to Resolution 7, 1,099,646;
 - (ii) pursuant to Resolution 8, 1,099,646; and
 - (iii) pursuant to Resolution 9, 1,099,646;
- (c) the Options will be granted 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) and it is intended that issue of the Options will occur on the same date;
- (d) the Options will be issued for nil cash consideration, accordingly no funds will be raised. The Options are being issued to Messrs Goodall, Mikel and Hartwig on an advanced, no recourse basis, in exchange for forgoing half of their respective Director fees (\$25,000 each) for the Applicable Period; and
- (e) the terms and conditions of the Options are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Options pursuant to Resolutions 6 and 7 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of these Options 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).

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.

Goodall Options means the Options the subject of Resolution 5.

Incentive Options means the Options the subject of Resolution 6.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert Report means the Independent Experts Report prepared by BDO Corporate Finance (WA) Pty Ltd which is attached to this Notice as Annexure A.

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option, Goodall Options, Related Party Option or Incentive Option as the context requires.

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.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS THE SUBJECT OF RESOLUTIONS 5, 7, 8 AND 9

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Option will be a 34% premium to the volume weighted average price of the Company's Shares for the 5 trading days prior to the Meeting (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on a date which is 2 years after their date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions and Exercise Period**

(i) The Options the subject of Resolution 5 have no vesting conditions and are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(ii) For the Options the subject of Resolutions 7 to 9, 1/12 of the Options shall vest each month for the first 12 months following their issue, subject to the holder remaining a Director of the Company at the relevant vesting date.

Fractional components shall be rounded to the nearest whole number. On the 12 month anniversary of the date of issue, any remaining unvested Options shall vest, provided that the holder remains a Director of the Company at that time.

Upon vesting, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

By way of example, if 1,099,646 Options are issued on 15 October 2019, the Options shall vest as follows:

Ratio	Number of Options	Vesting Date
1/12	91,637	15 November 2019
1/12	91,637	15 December 2019
1/12	91,637	15 January 2020
1/12	91,637	15 February 2020
1/12	91,637	15 March 2020
1/12	91,637	15 April 2020
1/12	91,637	15 May 2020
1/12	91,637	15 June 2020
1/12	91,637	15 July 2020
1/12	91,637	15 August 2020
1/12	91,637	15 September 2020
1/12	91,639	15 October 2020

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

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

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Incentive Option (**Exercise Price**) will be a 34% premium to the volume weighted average price of the Company's Shares for the 5 trading days prior to the Meeting.

(c) **Expiry Date**

Each Incentive Option will expire on the date which is 24 months from their date of issue (**Expiry Date**).

(d) **Exercise Period**

The Incentive Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**), subject to the satisfaction of the following vesting conditions:

- (i) 8,000,000 Incentive Options shall vest upon the Company satisfying all legal and regulatory requirements (as applicable) to distribute its Felix device by 30 June 2020 in its first market jurisdiction;
- (ii) 4,000,000 Incentive Options shall vest upon the Company satisfying all legal and regulatory requirements (as applicable) to distribute its Felix device by 30 September 2020 in its second market jurisdiction; and
- (iii) 6,000,000 Incentive Options shall vest upon the Sale of a Felix device to at least 50% (in number) of the Key Opinion Leaders in any one of the Company's initial two market jurisdictions by 31 December 2020.

"Sale" means the sale of a Felix device on commercial terms. A sale may be made directly by the Company or via a third-party distributor. The Felix device may be commercially sold as laboratory equipment, for research purposes or as a medical device, depending on the particular jurisdiction's legal and regulatory regime.

"Key Opinion Leader" means individuals or reproductive medicine clinics and/or andrology centres that are highly credentialed, scientifically cited leaders, recognised experts and opinion setters in the field of male sexual health and fertility in their own community (usually at a national or international level) and have entered into a memorandum of understanding with the Company on or before 31 March 2020 to undertake in-vitro clinical assessments using the Felix device.

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

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

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 3 – VALUATION OF GOODALL OPTIONS

Using the Black & Scholes option model and based on the assumptions set out below, the Options (the subject of Resolution 5) (**Goodall Options**) were ascribed the following value:

Volume weighted average price of the Company's Shares for the 5 trading days prior to the Meeting (\$)	0.045	0.050	0.055	0.060	0.070
Exercise Price of Option (\$)	0.0603	0.0670	0.0737	0.0804	0.0938
Expected Term (Years)	2.00	2.00	2.00	2.00	2.00
Risk free Rate (%)	1	1	1	1	1
Volatility (%)	100	100	100	100	100
Value of One Option (\$)	0.02046	0.02273	0.02501	0.02728	0.03183
# options to be granted	989,681	989,681	989,681	989,681	989,681
Value of Options (\$)	20,250	22,500	24,750	27,000	31,500

SCHEDULE 4 – VALUATION OF INCENTIVE OPTIONS

Using the Black & Scholes option model and based on the assumptions set out below, the Options (the subject of Resolution 6) (**Incentive Options**) were ascribed the following value:

Volume weighted average price of the Company's Shares for the 5 trading days prior to the Meeting (\$)	0.045	0.050	0.055	0.060
Exercise Price of Option (\$)	0.0603	0.067	0.0737	0.0804
Expected Term (Years)	2	2	2	2
Risk free Rate (%)	1	1	1	1
Volatility (%)	100	100	100	100
Value of One Option (\$)	0.02046	0.02273	0.02501	0.02728
# options to be granted	18,000,000	18,000,000	18,000,000	18,000,000
Value of Options (\$)	368,280	409,140	450,180	491,040



MEMPHASYS LIMITED **Independent Expert's Report**

27 August 2019



Financial Services Guide

27 August 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by **Memphasys Limited** ('**Memphasys**') to provide an independent expert's report expressing our opinion as to whether the issue of securities to **Peters Investments Pty Ltd** ('**Peters Investments**') is fair and reasonable to non-associated shareholders of Memphasys. You are being provided with a copy of our report because you are a shareholder of Memphasys and this Financial Services Guide ('**FSG**') is included in the event you are also classified under the Corporations Act 2001 ('**the Act**') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Memphasys to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

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

This FSG includes information about:

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

Information about us

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

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

Financial services we are licensed to provide

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

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

General Financial Product Advice

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

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$28,000.

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

Other Assignments - In July 2019, we also performed a valuation of options proposed to be granted to Directors for inclusion in a Notice of Meeting. The fee for this valuation was approximately \$2,000.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Memphasys for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

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

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Proposed Transaction	5
5.	Profile of Memphasys	6
6.	Economic analysis	14
7.	Industry analysis	15
8.	Valuation approach adopted	19
9.	Valuation of Memphasys prior to the Proposed Transaction	21
10.	Valuation of Memphasys following the Proposed Transaction	30
11.	Is the Proposed Transaction fair?	31
12.	Is the Proposed Transaction reasonable?	32
13.	Conclusion	36
14.	Sources of information	36
15.	Independence	37
16.	Qualifications	38
17.	Disclaimers and consents	38

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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27 August 2019

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

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 9 July 2019, Memphasys Limited ('**Memphasys**' or '**the Company**') announced that it had agreed to conduct a placement of 182,608,696 ordinary fully paid shares at an issue price of \$0.023 per share to raise \$4.20 million ('**the Placement**'). The funds raised from the Placement will be used to facilitate the modified tooling strategy and assist with the commercialisation of the Company's Felix device (formerly known as SpermSep). The Placement is to be completed in two tranches, with the first tranche of 70,144,928 ordinary shares at \$0.023 per share to raise \$1,613,333 completed on 15 July 2019 ('**Tranche One**'). The second tranche of the Placement is the proposed issue of 112,463,768 ordinary shares to raise \$2,586,667 ('**Tranche Two**'), and includes the issue of 73,333,333 securities to major investor Peters Investments Pty Ltd ('**Peters Investments**'). Upon completion of the Placement, the voting power of Peters Investments will increase from 21.23% of the issued capital in Memphasys to 27.98% and accordingly, shareholder approval is being sought pursuant to Item 7 of Section 611 of the Corporations Act 2001 Cth ('**Proposed Transaction**').

2. Summary and Opinion

2.1 Requirement for the report

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

Our Report is prepared pursuant to Section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Notice of Meeting for Memphasys in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**'), Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

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

- How the value of a Memphasys share prior to the Proposed Transaction on a control basis compares to the value of a Memphasys share following the Proposed Transaction on a minority basis;
- Whether the value of a Memphasys share is higher or lower following the implementation of the Proposed Transaction on a minority basis;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

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

Despite being not fair, we consider the Proposed Transaction to be reasonable because we consider the advantages of the Proposed Transaction to outweigh the disadvantages. Specifically, the value of a share in Memphasys on a minority interest basis increases as a result of the Proposed Transaction. Also, the cash raised from the Placement to Peters Investments may be used to realise the potential upside in value that is being ascribed by the market. Further, in the event that the Proposed Transaction is not approved, Peters Investments may increase its interest progressively under the 3% creep provisions of the Act. Therefore, we do not consider the disadvantages relating to dilution of existing shareholders' interests and the presence of major shareholders to be significant.

Giving consideration to the above factors, and the lack of superior alternative fund raising options, we consider the Proposed Transaction to be reasonable for Shareholders.

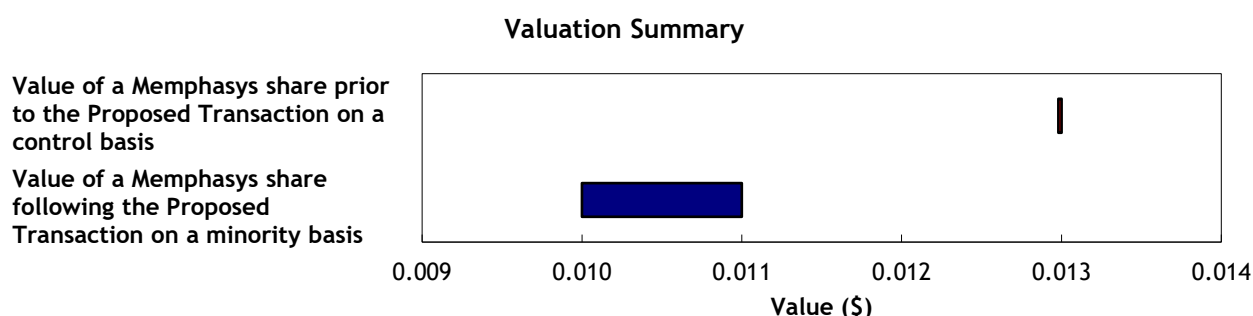
2.4 Fairness

In Section 11, we determined that the value of a share in Memphasys prior to the Proposed Transaction on a control basis compares to the value of a share in Memphasys following the Proposed Transaction on a minority basis, as detailed below:

	Ref	Low \$	High \$
Value of a share in Memphasys prior to the Proposed Transaction (on a control basis)	9.1	0.013	0.013
Value of a share in Memphasys following the Proposed Transaction (on a minority basis)	10	0.010	0.011

Source: BDO analysis

The above valuation ranges are graphically presented below:



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

2.5 Reasonableness

We have considered the analysis in Section 12 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.3	Value of a share in Memphasys on a minority basis increases as a result of the Proposed Transaction	12.4	Dilution of existing Shareholders' interests
12.3	The cash raised from the Placement to Peters Investments may be used to realise the potential upside in value which is reflected in the Company's share price	12.4	The presence of major shareholders may reduce the liquidity of the Company's shares and may deter a potential takeover offer from being made
12.3	Ability to continue operating as a going concern		
12.3	Support from major shareholder and possibility for contribution of additional capital		

Other key matters we have considered include:

Section	Description
12.1	Alternative proposals for capital raising
12.2	Practical level of control
12.5	Consequences of not approving the Proposed Transaction
12.6	Other considerations for Shareholders

3. Scope of the Report

3.1 Purpose of the Report

Peters Investments (and their associates) together own 21.2% of the shares in Memphasys. Section 606 of the Corporations Act expressly prohibits the acquisition of further shares by a party who already holds (with associates) more than 20% of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 of the Corporations Act ('Section 611') permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting. If the Proposed Transaction is approved, Peters Investments will go from holding an interest of approximately 21.2% of the Company's issued capital to holding approximately 28%, therefore triggering a requirement for our Report.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Memphasys, by either:

- undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- by commissioning an Independent Expert's Report.

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

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

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

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

- a comparison between the value of a Memphasys share prior to the Proposed Transaction (on a control basis) and the value of a Memphasys share following the Proposed Transaction (on a minority basis); (fairness - see Section 11 'Is the Proposed Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 12 'Is the Proposed Transaction Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Proposed Transaction

On 9 July 2019, Memphasys announced a capital raising involving the issue of 182,608,696 shares at an issue price of \$0.023 per share to raise \$4.20 million (before costs). The funds raised from the Placement will be used to cover tooling costs to assemble and manufacture disposable cartridges for the Felix device, the development and commercialisation of the Felix device, and for general working capital purposes.

The Placement is to be completed in two tranches, as detailed below:

- i) Tranche One was completed on 15 July 2019, and comprised the issue of 70,144,928 shares to raise \$1,613,333; and
- ii) Tranche Two comprises the issue of up to 112,463,768 shares to raise up to \$2,586,667, subject to shareholder approval.

Peters Investments, a substantial shareholder of Memphasys, which prior to the Proposed Transaction holds 21.23% of the Company's issued capital, intends to participate in Tranche Two of the Placement by subscribing for an additional 73,333,333 shares.

Upon completion of Tranche Two of the Placement, Peters Investments will have a relevant interest in 205,000,000 shares in Memphasys increasing its voting power from 21.23% to 27.98%. In addition, a Director Mr. Andrew Goodall is expected to participate in Tranche Two of the Placement by subscribing for an additional 36,956,522 shares. Of the 36,956,522 shares, 12,740,830 shares are to be issued in satisfaction for debt repayment of \$293,039 owed to Mr. Andrew Goodall by the Company, effectively converting debt balances to equity. Given that our Report is prepared pursuant to Item 7 of section 611 of the Act in relation to the shares issued to Peters Investments, we have incorporated the issue of the remaining Tranche Two shares to both Mr. Andrew Goodall and Shareholders in our assessment of the value of Memphasys prior to the Proposed Transaction.

The shareholding structure prior to and following the Proposed Transaction is set out in the table below:

Shareholding structure	Peters Investments	Mr. Andrew Goodall	Existing Shareholders	Total
Number of shares on issue as at the date of our Report	131,666,667	134,541,983	354,069,996	620,278,646
% holdings as at the date of our Report	21.23%	21.69%	57.08%	100.00%
Tranche Two Shares issued to Mr. Andrew Goodall	-	36,956,522	-	36,956,522
Tranche Two Shares issued to Existing Shareholders	-	-	2,173,913	2,173,913
Number of shares on issue prior to the Proposed Transaction	131,666,667	171,498,505	356,243,909	659,409,081
% holdings prior to the Proposed Transaction	19.97%	26.01%	54.02%	100.00%
Tranche Two Shares issued to Peters Investments	73,333,333	-	-	73,333,333
Number of issued shares following the Proposed Transaction	205,000,000	171,498,505	356,243,909	732,742,414
% holdings following the Proposed Transaction	27.98%	23.41%	48.62%	100.00%

Source: BDO analysis

The above table shows that Mr. Andrew Goodall (and his associates) also holds in excess of 20% of the Company's issued capital and is increasing his stake from 21.69% to 23.41%. However, Shareholder approval is not required for this increase, as a result of the 3% creep provisions of the Act.

5. Profile of Memphasys

5.1 Background

Memphasys is an Australian domiciled company that listed on the Australian Securities Exchange ('ASX') in May 2007 as NuSep Holdings Limited ('NuSep'). In 2016, the Company changed its name to Memphasys to reflect its renewed focus on the development of membrane and biological separation systems. Memphasys' head office is located in Homebush, New South Wales.

The Company is in the bio-separations space where it specialises in the separation of valuable cells and molecules from biological fluids. The Company's proprietary hydrogel membrane technology combined with the application of electrophoresis processes across a fluid enables separation of proteins and cells by size and charge.

The current directors of Memphasys are:

- Ms. Alison Coutts - Executive Chairman;
- Mr. Shane Hartwig - Non-Executive Director;

- Mr. Andrew Goodall - Non-Executive Director; and
- Mr. Marjan Mikel - Non-Executive Director.

History of Felix Product Development

The Company's Felix device, formerly known as SpermSep, is the Company's lead program that was developed in partnership with Professor John Aitken from The University of Newcastle. The program addresses male infertility through separation of the best quality sperm from a semen sample through electrophoresis and specialist membranes, in preparation for in-vitro fertilisation ('IVF'). Memphasys recognised this same principal can be applied to animal reproduction. The Company engaged in collaboration with Minitube GmbH ('Minitube'), a global provider of animal artificial reproductive technologies ('AART') products. The main research program with Minitube was the preparation of frozen bovine semen to process through the Felix device.

As part of the Company's strategy to refine and develop the Felix device, it engaged Hydrix Limited ('Hydrix') as its device development partner in May 2017. Hydrix had been collaborating with the Company for over 18 months prior to the engagement, acting as a specialist developer of high technology devices. The first stage of development involved the initial engineering design and development of prototype cartridges for the next generation Felix device. The first two cartridges for the Felix device were delivered to the Company in June 2017.

By December 2017, the Company demonstrated the prototype cartridges processed three times the volume of semen in comparison to the prior version and contained new biocompatible membranes, reformulated buffers and an altered fluid flow that was gentler on the sperm. The most viable sperm from a semen sample of a healthy human male was separated in approximately five minutes. Optimisation studies were completed in February 2018, and Hydrix commenced design and development of the Felix clinical device, that used sterile, disposable cartridges.

Sperm processing and quality is an issue for animal reproduction in horses and other animals. Therefore, the Company also announced that it planned to develop a device for equine artificial insemination, as the Felix prototype demonstrated that it was capable of selecting the most viable sperm from equine semen.

The Company entered into a collaborative agreement with Monash IVF Group ('Monash') in September 2018 to assist with the commercial development of the Felix device. In exchange, Monash was to receive equity in Memphasys for a 12-month period following commercialisation of the Felix device. Testing of the pre-production Felix devices and production preparation were to be completed by the end of the June 2019 quarter, with final completion of the device due by the end of the September 2019 quarter. Commercial sales in selected European Union countries were targeted for the first half of 2020, with countries such as Australia and the USA scheduled later that year.

In the second half of 2018, the Company signed Memorandums of Understanding ('MoU') with three organisations that were appointed to assist with the in-vitro assessments of the Felix device. In October 2018, the Company signed an MoU with a French-based male infertility and andrology team at the Genetics, Reproduction and Development laboratory. Subsequently, the Company signed a MoU with ANOVA Karolinska (Swedish-based male infertility and andrology centre) in November 2018, and the Colorado Center of Reproductive Medicine based in the USA in December 2018.

Memphasys went on to appoint a further four companies in January 2019 to undertake independent in-vitro assessments of the Felix device, comprising The University of Florence in Italy, The Isfahan Fertility & Infertility Clinic in Iran, Boston IVF located in the USA, and The University of Munster based in Germany.

Similarly, the Company signed a MoU with each newly appointed opinion leader to undertake the assessment. Development on improving consistency and increased scale of production of the hydrogel membrane continued.

On 29 January 2019, the Company released an announcement relating to the development and commercialisation of the Felix device. The first Felix devices are anticipated to be distributed by the end of the September 2019 quarter to the recruited opinion leaders, with the assessment program expected to be completed during the first half of 2020.

In July 2019, Memphasys appointed W&S Plastics as the manufacturer and assembler of the Felix device.

5.2 Corporate events and funding

On 12 April 2016, the Company announced it had sold U.S. subsidiary NuSep Inc. together with its gels business to Dycent Biotech (Shanghai) Co. Ltd (**‘Dycent Biotech’**) for the value of US\$130,000. The sale included the manufacturing plant and all related patents.

On 20 September 2016, the Company announced it had appointed Platinum Road Pty Ltd (**‘Platinum’**) to assist with a capital raising of \$940,000. The capital raising was completed through the issue of secured convertible notes, and directors Ms. Alison Coutts and Mr. Andrew Goodall each contributed \$450,000. The convertible notes had a term of two years, with an interest rate of 10% payable monthly in arrears.

On 13 October 2016, Memphasys announced it had received a Research and Development (**‘R&D’**) tax refund of \$497,355. The funds were used to further develop Felix and for general working capital purposes.

On 21 November 2016, the Company announced it had received a statement of claim from its previous corporate advisors Transocean Securities Pty Ltd (**‘Transocean’**). Transocean sought to recover damages, including the monthly retainer between April 2016 and December 2017, along with 50 million underwriter options and fees that Transocean would have received from subsequent funding.

On 12 December 2016, Memphasys announced a capital raising of between \$800,000 and \$1.0 million, led by directors Ms. Alison Coutts and Mr. Andrew Goodall who were contributing \$300,000 and \$500,000, respectively. The capital was to be raised through the issue of convertible notes on a one-year term, with interest payable of 10% per annum at the end of the period. However, on the 16 December 2016 Memphasys announced directors Ms. Alison Coutts and Mr. Andrew Goodall did not proceed with the convertible note issue as the Company was looking at various options to fund working capital.

On 23 February 2017, the Company announced it had received a loan of \$300,000 from Ms. Alison Coutts. The loan accrued interest at a rate of 10% per annum payable at the end of the one-year term. In addition, Ms. Alison Coutts offered additional funding through a line of credit up to \$200,000 for a period of 12 months.

On 2 March 2017, Memphasys announced it had received a \$250,000 secured loan from Crescendas Projects Pte Ltd (**‘Crescendas’**), a private Singaporean company. The loan attracted an interest rate of 9% per annum payable quarterly in arrears. The term of the loan was a rolling three-month period for up to six months with earlier payout available with mutual consent.

On 4 April 2017, Memphasys announced it had entered into a convertible bond facility with Platinum to assist with engineering design and development of prototype cartridges for the Felix device. The face value of the bond facility was \$500,000, with an interest rate of 10% per annum. The term of the bond facility was 12 months, with a right to convert the loan at the lower of \$0.400 per share, or a 15% discount

to the lowest daily volume weighted average price ('VWAP') of the prior 10 trading days of the shares on both the ASX and Chi-X.

On 6 April 2017, the Company announced it had completed the sale of its gels business to Dycent Biotech, after fulfilling commissioning of the gels manufacturing plant that was relocated to Shanghai, China.

On 3 July 2017, Memphasys announced the aforementioned line of credit for the value of \$200,000 obtained by Ms. Alison Coutts had been fully drawn down. Subsequently, Ms. Alison Coutts agreed to extend the line of credit by an additional \$200,000. The extended line of credit had an interest rate of 10% per annum, payable at the end of the term being 23 February 2018.

On 8 September 2017, the Company announced it had settled the aforementioned dispute with Transocean through mediation.

On 21 November 2017, Memphasys announced it had planned to raise \$3.75 million through a non-renounceable entitlement issue of shares, convertible note issue and placement to assist in development and commercialisation of the Felix device. The non-renounceable entitlement issue was fully underwritten, with approximately \$240,103 of outstanding debt to be converted to shares, and the remaining \$460,000 allocated to development of the Felix device. The convertible note facility had a face value of \$300,000, with funds used for the development of the Felix device, working capital, and associated costs of the capital raising. The placement raised \$2.75 million with approximately \$1.52 million used for debt repayments, effectively converting debt balances to equity. The remaining \$1.23 million was used for development of the Felix device, working capital, and associated costs of the capital raising.

On 24 November 2017, the Company announced it had received a grant from NSW Medical Devices fund of \$400,000 to assist in advancing development of the Felix device in the field of human IVF. Memphasys announced confirmation that it had received the grant on 22 December 2017.

On 13 February 2018, the Company announced Platinum and its related entity, Bridge Road Capital Pty Ltd ('Bridge Road') filed a writ issued in the Supreme Court of Victoria against Memphasys. The writ claimed damages, interest and costs relating to financing agreements entered into between March and June 2017. On 19 March 2018, the Company announced that this was settled through a cash payment by the Company to Platinum and Bridge Road. In the announcement, the Company has stated that it considers the settlement amount to be confidential and not material.

On 25 May 2018, Memphasys announced it had raised \$1.0 million through a strategic investment with Peters Investments. The capital raising was to aid work in fertility outcomes for both humans and horses. The investment was completed via a placement with the issue of one billion shares at \$0.001 per share. Following the capital raising, Peters Investments had a relevant interest of 18.32% in the Company.

On 16 August 2018, the Company announced it had received a research and development tax refund of \$592,734 from the Australian Taxation Office ('ATO'). The refund was used for working capital purposes.

On 27 February 2019, Memphasys announced it was to proceed with a non-renounceable pro-rata entitlement issue on the basis of one share for every two shares held at an issue price of \$0.020 per share. The entitlement issue was to raise up to approximately \$3.64 million, with funds utilised to further the development of the Felix device in preparation for commercialisation as well as for repayment of Director Loans. Further, the Company also announced it completed a dual listing, with its shares also listed on the Frankfurt Stock Exchange ('FSE'). The Prospectus for this rights issue was released on 1 March 2019. On 26

March 2019 the Company announced that there was a shortfall of 87,307,799 rights which were taken up by the underwriter, Patersons Securities Limited.

On 5 April 2019, Memphasys announced that it had issued 4 million ordinary shares to Monash at a deemed issue price of \$0.020 per share, in lieu of fees charged by Monash in accordance with the collaboration agreement.

5.3 Historical Statements of Financial Position

Statement of Financial Position	Reviewed as at 31-Dec-18 \$	Audited as at 30-Jun-18 \$	Audited as at 30-Jun-17 \$
CURRENT ASSETS			
Cash and cash equivalents	215,961	201,807	2,349
Trade and other receivables	-	-	52,769
Other current assets	550,277	659,454	424,108
Financial assets	-	-	3,824,888
TOTAL CURRENT ASSETS	766,238	861,261	4,304,114
NON-CURRENT ASSETS			
Property, plant and equipment	32,431	22,732	41,281
Intangible assets	3,882,728	3,333,180	2,956,295
TOTAL NON-CURRENT ASSETS	3,915,159	3,355,912	2,997,576
TOTAL ASSETS	4,681,397	4,217,173	7,301,690
CURRENT LIABILITIES			
Trade and other payables	268,358	222,428	822,000
Interest bearing liabilities	495,561	471,736	5,714,322
Non-interest bearing liabilities	626,334	26,334	26,334
Lease liabilities	3,552	3,552	4,260
Tax liabilities	8,967	10,146	(2,780)
Short-term provisions	98,933	89,186	96,647
TOTAL CURRENT LIABILITIES	1,501,705	823,382	6,660,783
NON-CURRENT LIABILITIES			
Lease liabilities	4,994	6,746	9,391
Interest bearing liabilities	-	-	1,011,544
Long-term provisions	40,441	35,465	22,212
TOTAL NON-CURRENT LIABILITIES	45,435	42,211	1,043,147
TOTAL LIABILITIES	1,547,140	865,593	7,703,930
NET ASSETS / (LIABILITIES)	3,134,257	3,351,580	(402,240)
EQUITY			
Issued capital	40,420,471	40,095,314	36,019,885
Reserves	1,039,810	1,015,610	936,060
Accumulated losses	(38,326,024)	(37,759,344)	(37,358,185)
TOTAL EQUITY	3,134,257	3,351,580	(402,240)

Source: Memphasys' financial statements for the years ended 30 June 2017 and 30 June 2018 and reviewed financial statements for the half year ended 31 December 2018

We note that the Company's auditor included an emphasis of matter outlining the existence of material uncertainty relating to the going concern assumption in its review report for the half year ended 31 December 2018.

Commentary on Historical Statements of Financial Position

- Cash and cash equivalents increased by approximately \$0.20 million between 30 June 2017 and 30 June 2018 with the most significant cash movements coming from net proceeds from the issue of shares of approximately \$1.99 million and government grant receipts of \$0.83 million. The

Company also drew down on related party and third party loans, but used most of these proceeds to repay existing debt, however the net effect of this was cash flow positive. These cash inflows were partially offset by payments to suppliers and employees of \$1.55 million and payments for internal development of \$1.23 million. Cash and cash equivalents remained at approximately \$0.2 million at 31 December 2018 with the most significant cash flows being the proceeds from related party borrowings of \$0.71 million, net proceeds from government grants of \$0.59 million and proceeds from the issue of shares of \$0.35 million. This was largely offset by development expenditure of \$1.02 million and payments to suppliers and employees of \$0.47 million.

- Other current assets at 31 December 2018 largely related to an amount receivable under the research & development ('R&D') tax incentive scheme of \$0.47 million.
- Financial assets of \$3.82 million at 30 June 2017 related to non-voting class B shares held in former subsidiary, PRIME. The dispute with PRIME Biologics Pte Ltd ('PRIME') was concluded on 24 July 2017.
- The increase in intangible assets from 30 June 2018 to 31 December 2018 was a result of capitalised development expenditure of \$0.97 million net of \$0.42 million of deferred income. The deferred income represents the portion of the R&D grant that is yet to be recognised as revenue.
- Interest bearing liabilities decreased from \$5.71 million at 30 June 2017 to \$0.47 million at 30 June 2018. The decrease of \$5.24 million was largely a result of repayment of the Company's loan from Pulau Manukan Ventures Labuan Ltd ('Manukan') of \$4.55 million.
- Non-interest bearing current liabilities of \$0.63 million at 31 December 2018 mainly pertains to the loan of \$0.60 million from director Mr. Andrew Goodall.

5.4 Historical Statements of Profit or Loss and Other Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-18	Audited for the year ended 30-Jun-18	Audited for the year ended 30-Jun-17
	\$	\$	\$
Revenue			
Other income	47,151	65,541	80,503
Net gain on settlement of debt	-	896,232	-
Expenses			
General and administration expenses	(479,366)	(986,781)	(1,971,689)
Research and development expenses	(105,825)	(181,109)	(137,594)
Finance cost expenses	(28,640)	(276,988)	(129,674)
Foreign exchange gain	-	81,946	259,556
Loss before income tax	(566,680)	(401,159)	(1,898,898)
Income tax expense	-	-	-
Loss after tax from continuing operations	(566,680)	(401,159)	(1,898,898)
Discontinued operations			
Loss from discontinued operations, net of tax	-	-	(100,993)
Total comprehensive loss for the year	(566,680)	(401,159)	(1,999,891)

Source: Memphasys' audited financial statements for the years ended 30 June 2017 and 30 June 2018, and reviewed financial statements for the half year ended 31 December 2018.

We note that the Company's auditor included an emphasis of matter outlining the existence of material uncertainty relating to the going concern assumption in its review report for the half year ended 31 December 2018.

Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

- Other income primarily consists of grant income that relates to the tax refund on R&D activities granted by the Federal Government, in addition to a grant received by the NSW Medical Device Fund.
- The net gain on settlement of debt of \$0.90 million for the year ended 30 June 2018 related to the de-recognition of the Company's debt to PrIME Biologics Pte Ltd ('PrIME') and the Preference B shares previously held in PrIME following the conclusion of the legal dispute.
- General and administration expenses decreased from \$1.97 million for the year ended 30 June 2017 to \$0.99 million for the year ended 30 June 2018. The decrease of \$0.99 million was largely the result of a decrease in legal fees, after the Company resolved its legal disputes.
- Foreign exchange gains related to revaluation of the Australian dollar against the Singaporean dollar when the Company had a debt of SGD\$4.80 million. Following the settlement of debt, the Company did not have any foreign exchange exposure.

5.5 Capital Structure

The share structure of Memphasys as at 24 July 2019 is outlined below:

	Number
Total ordinary shares on issue	620,278,646
Top 20 shareholders	437,410,731
Top 20 shareholders - % of shares on issue	70.52%

Source: Share registry information

The range of shares held in Memphasys as at 24 July 2019 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	452	83,165	0.01%
1,001 - 5,000	135	361,647	0.06%
5,001 - 10,000	90	704,007	0.11%
10,001 - 100,000	401	16,864,164	2.72%
100,001 - and over	359	602,265,663	97.10%
TOTAL	1,437	620,278,646	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 24 July 2019 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Mr. Andrew Ernest Goodall (and associates)	134,541,983	21.69%
Peters Investments	131,666,667	21.23%
Ms. Alison Coutts	78,726,377	12.69%
Mr. Allan Graham Jenzen	14,035,000	2.26%
Subtotal	358,970,027	57.87%
Others	261,308,619	42.13%
Total ordinary shares on Issue	620,278,646	100.00%

Source: Share registry information

The terms of the options on issue as at 24 July 2019 are outlined below:

Current Options on Issue	Number
Expiry 25-Nov-19, Exercise Price \$0.300	266,667
Expiry 28-Dec-19, Exercise Price \$0.030	14,564,801
Expiry 30-Nov-19, Exercise Price \$0.030	6,666,667
Expiry 28-Sep-21, Exercise Price \$0.0332	20,000,000
Expiry 28-Sep-21, Exercise Price \$0.0332	18,204,457

Source: Appendix 3B

6. Economic analysis

Domestic growth

The Reserve Bank of Australia ('RBA') is expecting Gross Domestic Product ('GDP') growth of around 2.75% over both 2019 and 2020, which is lower than previously forecast. Growth is anticipated to be supported by increased investment in infrastructure and a pick-up in activity in the resources sector, as mining firms invest to sustain production levels and expand productive capacity. However, there remains some uncertainty around the outlook for household consumption and the housing market. Growth in household disposable income was 1.8% over the year to the March quarter, which is below the long run average. Consumption growth has slowed with low wages growth and declining housing prices.

In response, the RBA lowered interest rates in June 2019 for the first time since 2012 to 1.25%, before cutting rates further in July 2019 to a historic low of 1.0%. The easing of monetary policy aims to support employment growth and increase inflation to be closer to the medium-term target of 2.0%.

Conditions in the housing market remain soft, although prices in Sydney and Melbourne have stabilised tentatively. Growth in housing credit has also stabilised, with mortgage rates at record lows and the strong competition for borrowers of high credit quality. However, overall demand for credit by investors continues to be subdued, with credit conditions for small and medium-sized businesses remaining tight.

Inflation

Domestic inflation remains low, and suggests subdued inflationary pressures across the economy. Inflation forecasts have been revised lower, with the RBA expecting underlying inflation to be 1.75% for 2019 and 2.0% for 2020. However, inflation is anticipated to pick up with easing of monetary policy, with the central scenario for underlying inflation to reach 2.0% in 2020 and to increase further thereafter. Adjustment in the retail sector continued to place downward pressure on inflation.

Employment

Strong employment growth has persisted despite a dampening in expectations for GDP growth, with labour force participation at a record level. Employment growth over 2018 was largely in three industries: healthcare and social assistance, construction, and professional scientific and technical services. The unemployment rate has been steady at approximately 5% for several months; however, it has risen slightly to 5.2% since April 2019. The strong employment growth has led to a pick-up in wages growth in the private sector, although overall wage growth remains low. The RBA continues to expect further wages growth in the near term.

Currency movements

The Australian dollar is currently at the low end of the narrow range that it has been trading recently. Movements in the Australian dollar tend to be related to developments in commodity prices and interest rate differentials. Since the start of the year, these two forces have been working in offsetting directions, with commodity prices in iron ore and gold increasing significantly in June 2019 and Australian bond yields declining relative to those in other major markets.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 2 July 2019 and Statement on Monetary Policy May 2019.

7. Industry analysis

This section sets out an overview of the Australian and Global assisted reproductive technology ('ART') treatment industries. We note that although Memphasys is also exploring the application of their product for animals, its use for humans is closer to commercialisation and is the focus of our analysis below.

Overview

Assisted reproductive technology can be defined as a group of procedures involving the in vitro (outside of body) handling of human oocytes (eggs) and sperm or embryos, for the purposes of establishing a pregnancy. Each ART treatment involves a number of stages and is generally referred to as an ART treatment cycle. A University of New South Wales study found that of the 81,062 ART cycles initiated in Australia and New Zealand in 2016, 22.5% resulted in a clinical pregnancy and 17.9% in a live delivery. The same study also reported an improvement in live delivery rates per embryo transfer, rising from 22.5% in 2012 to 26.2% in 2016.

The United States National Institute of Health estimates that 15% of couples are infertile, with one-third of infertility cases caused by male factors, one-third by female factors and the rest by both female and male factors or unknown factors. Memphasys' Felix device is aimed at addressing infertility caused by male factors.

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

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

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

7.1 Australian ART Treatment Industry

IBISWorld estimates an increasing demand for ART treatments such as IVF will result in increasing revenues for the ART industry in Australia. Total revenues of this industry, which stand at approximately \$550 million for 2018-2019, are anticipated to grow at 3% per annum over the five years to 2024. Industry growth is expected to be driven by a growing customer base and an improving success rate of treatment programs.

Demand determinants

Female population aged 35 and older

As a female's age is an important determinant of successful conception, growth in this demographic reflects an increase in the number of women who might seek infertility treatment. Overall population trends in Australia indicate that this segment is expected to increase in number, consistent with Australia's generally ageing population.

Federal funding for Medicare

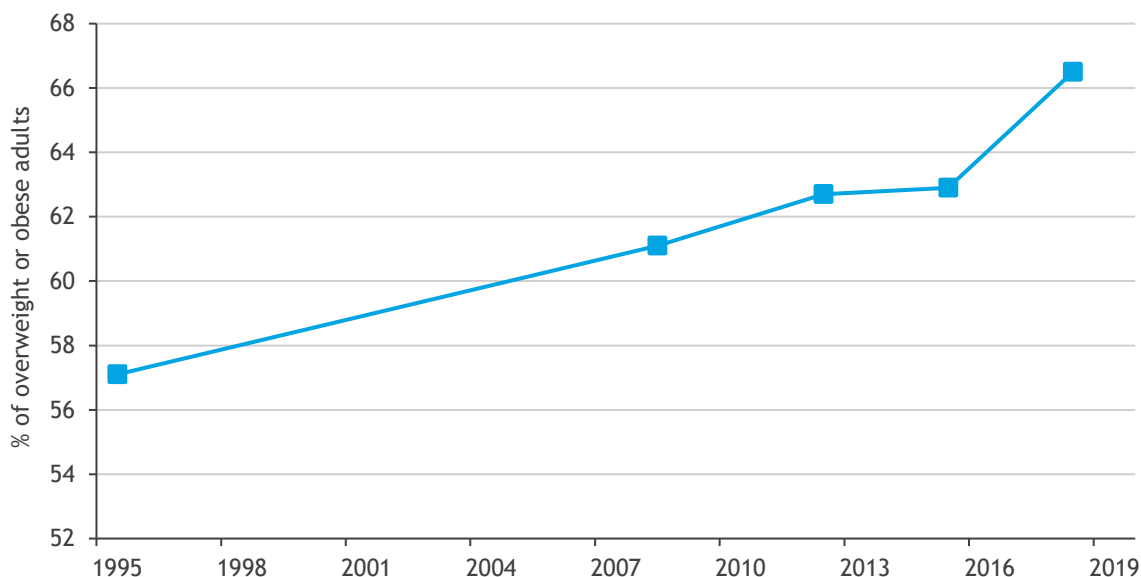
Possible adverse changes to the relevant Medicare Benefits Schedule represent a potential threat to the ART industry. As Medicare covers a large proportion of costs in ART treatments, any changes in health funding would affect industry demand. With the previous Medicare rebate freeze being removed, federal funding for Medicare is expected to grow in 2018-19.

Private health insurance membership

An increase in private health insurance membership tends to increase the demand for ART treatments as these services are expensive and typically funded mainly by private health insurers. The outlook for private health insurance membership is mixed. According to an Australian Competition and Consumer Commission Report to the Senate for the financial year ended 30 June 2018, private health insurance membership reduced by 0.6 percentage points, continuing a declining trend which was observed over June 2016 to June 2017 when membership levels also fell by 0.6 percentage points. However, IBISWorld forecasts membership to grow by a compound annual growth rate of 1.9% to 2023, driven by an ageing population and improving insurance affordability.

Levels of obesity

Obesity has the potential to cause infertility issues in both men and women. This could lead to increased demand for ART treatments. In 2017-18, the Australian Bureau of Statistics National Health Survey showed that 66.5% of Australian adults were overweight or obese, an increase from 62.9% in 2014-15. In general, the proportion of overweight or obese adults has been on an upward trend since 1995, when data was first made available. This is depicted in the chart below.



Source: Australian Bureau of Statistics

Success rates of treatment

A higher success rate of ART treatments will encourage greater use of such services. Increased research and development expenditure within the industry have led to technological advancements and innovations

such as Memphisys' Felix device. In June 2018, Virtus Health Limited ('Virtus'), an ASX-listed provider of ART treatments announced the development of an artificial intelligence program which allowed quick identification of the embryo with the best chance of achieving successful pregnancy.

Prevalence of low-cost clinics

A growing number of low-cost IVF centres have opened across Australia, particularly in regions with lower average incomes, to attract a new client base. Providers like Virtus, Monash and Healius Limited now offer lower cost clinics to cater for this segment of the market which is anticipated to grow and increase demand for their services.

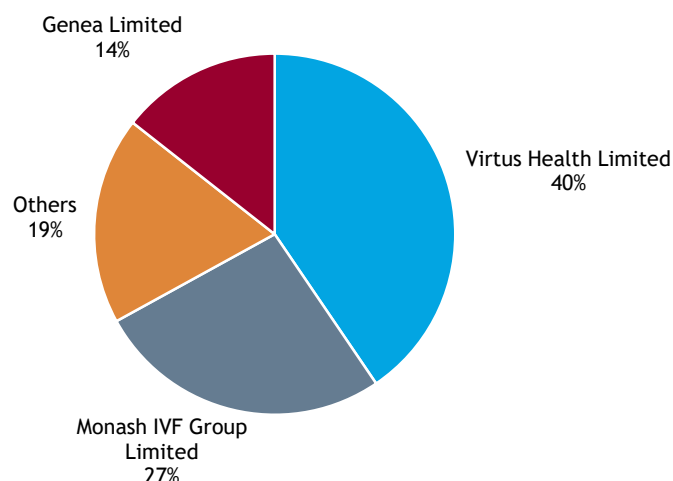
Other social factors

There are other social factors which influence demand for ART treatments, such as the rise in the number of single women, trend of women seeking to delay pregnancies for their careers and also same-sex couples wanting children. In 2016, Rainbow Fertility was the first dedicated ART treatment clinic established to exclusively cater to the LGBTI community. However, Australia's Medicare system makes a distinction between medical infertility and social infertility, with the latter not covered.

Competitive Landscape

In terms of the locations of ART treatment providers, New South Wales, Victoria and Queensland account for the greatest number of fertility clinics as a result of their higher population levels. In terms of providers, Virtus, Monash and Genea Limited dominate the Australian market, with increasing merger and acquisitions expected to result in further consolidation within the industry. As a proportion of industry revenues, the three providers have a major share of the market as depicted below.

Share of Australian ART Treatment Industry



Source: IBISWorld

This concentration is aided by the high barriers to entry as the existing providers have established an extensive client base and relationships with doctors, hospitals and other medical facilities, making it difficult for new entrants to enter the market. Furthermore, due to the ethical and social implications and

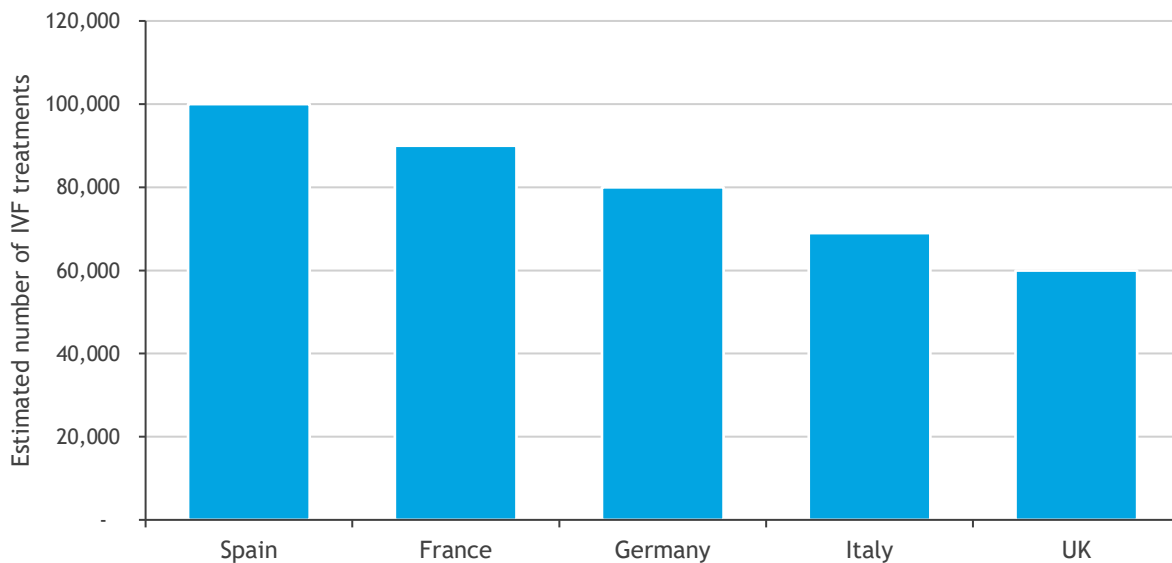
concerns regarding ART treatments, a range of government legislation and regulations has made it increasingly difficult for new market entrants.

Adoption of Technology

Aside from hiring the best specialists, providers of ART treatments also aim to improve their reputation by increasing success rates through the adoption of more advanced technology. As mentioned above, Virtus has developed artificial intelligence technology in this regard, while Monash entered into a collaboration agreement with Memphisys for its Felix device. The use of genetic health tests on embryos such as preimplantation genetic diagnosis, is also becoming increasingly common. IBISWorld estimates that research costs for ART treatment providers have increased as a proportion of revenues over the past five years as companies attempt to gain a competitive advantage.

7.2 Global ART Treatment Industry

There is limited availability of ART treatment statistics worldwide as not all governments record treatment numbers and success rate definition varies by country. According to the European Society of Human Reproduction and Embryology ('ESHRE'), in 2014, the latest year for which reported statistics are available, almost 800,000 treatment cycles were reported from 39 European countries. Within Europe, ESHRE estimated that Spain was by far the most active user of IVF treatments, followed by France, based on reported statistics from 2014. This is illustrated below.



Source: ESHRE ART Factsheet - updated 18 February 2018

However there are also countries that do not report statistics. For instance, ESHRE estimates that China, could be performing as many as 800,000 cycles per year. Sweden-based Vitrolife AB estimates that as ART treatments become more popular, the market for disposable products used in such treatments will also grow by 5-10% per year, with the growth being driven by Asian nations. On a per capita basis, the global need for ART treatment was estimated by ESHRE to be at least 1,500 cycles per million population per year.

7.3 Animal ART Industry

As mentioned previously, Memphasys' device which is closest to commercialisation is targeted at human ART treatments. We note however that Memphasys also intends to broaden its products to target the animal ART market, specifically for artificial insemination ('AI'). In Australia, AI is already practised for breeding cattle as a means to access genetics from across the world and for genetic improvements, amongst other reasons. Memphasys is collaborating with University of Newcastle to develop a similar product to Felix, but made for horses. As thoroughbred AI is illegal in Australia's horse racing industry, such a product could be used for show ponies and other horses.

Sources: University of New South Wales: Assisted reproductive technology in Australia and New Zealand 2016, IBISWorld Fertility Clinics in Australia Industry Report January 2019, United States National Institute of Health: What causes male infertility?, Australian Bureau of Statistics, European Society of Human Reproduction and Embryology: ART Fact Sheet 18 February 2018, Vitrolife AB 2018 Annual Report, Australian Government Department of Primary Industries and Regional Development.

8. Valuation approach adopted

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

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

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Memphasys shares we have chosen to employ the following methodologies:

8.1 Value of a Memphasys share prior to the Proposed Transaction

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

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary methodology as this represents the value that a Shareholder can receive for a share if sold on market.

We have chosen these methodologies for the following reasons:

- The Company's intangible assets do not currently generate any income nor are there any historical profits that could be used to represent future earnings, so the FME approach is not appropriate;
- We are bound by ASIC's guidance in Regulatory Guide 170 Prospective Financial Information ('RG 170') on reasonable grounds for prospective financial information. Given the Company's Felix Device has yet to be commercialised, we do not consider that we would have reasonable grounds

for reliance on forecast cash flows, so the application of the DCF valuation approach is not appropriate;

- We have used the NAV methodology to value Memphasys prior to the Proposed Transaction by assessing the market value of its assets and liabilities; and
- The QMP basis is a relevant methodology to consider because Memphasys shares are listed on the ASX. This means there is a regulated and observable market where Memphasys shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the Company's activities. As detailed in Section 9.2, the shares display a low level of liquidity, therefore we have used the QMP as a cross check.

We note that we have included the Tranche Two shares issued to Mr. Andrew Goodall and existing Shareholders in our valuation of a Memphasys share prior to the Proposed Transaction because the Notice of Meeting includes the issue of shares to Peters Investments as a separate resolution. Therefore, the shares issued to Mr. Andrew Goodall and existing Shareholders can still proceed regardless of whether the Proposed Transaction is approved. We note that our Report is required under Item 7 of Section 611 of the Act in relation to the issue of shares to Peters Investments and not the issue of shares to Mr. Goodall and existing Shareholders.

8.2 Valuation of a Memphasys share following the Proposed Transaction

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

- cash raised from the Placement to Peters Investments;
- additional shares issued as a result of the Placement; and
- applied a minority interest discount.

We do not consider a cross check of the valuation of Memphasys following the Proposed Transaction to be appropriate because a cross check of the value of a share in Memphasys prior to the Proposed Transaction has been performed. The above adjustments to the valuation prior to the Proposed Transaction do not require a cross check.

9. Valuation of Memphasys prior to the Proposed Transaction

9.1 Net Asset Valuation of Memphasys

The value of Memphasys' assets on a going concern basis is reflected in our valuation below:

Net asset valuation	Notes	Reviewed as at 31-Dec-18 \$	Adjusted Balance \$
CURRENT ASSETS			
Cash and cash equivalents	a	215,961	3,093,867
Other current assets	b	550,277	1,280,035
TOTAL CURRENT ASSETS		766,238	4,373,902
NON-CURRENT ASSETS			
Property, plant and equipment		32,431	32,431
Intangible assets	c	3,882,728	4,655,316
TOTAL NON-CURRENT ASSETS		3,915,159	4,687,747
TOTAL ASSETS		4,681,397	9,061,649
CURRENT LIABILITIES			
Trade and other payables		268,358	268,358
Interest bearing liabilities	d	495,561	-
Non-interest bearing liabilities	e	626,334	26,333
Lease liabilities		3,552	3,552
Tax liabilities		8,967	8,967
Short-term provisions		98,933	98,933
TOTAL CURRENT LIABILITIES		1,501,705	406,143
NON-CURRENT LIABILITIES			
Lease liabilities		4,994	4,994
Long-term provisions		40,441	40,441
TOTAL NON-CURRENT LIABILITIES		45,435	45,435
TOTAL LIABILITIES		1,547,140	451,578
NET ASSET VALUE (control)		3,134,257	8,610,071
Number of shares on issue	f		659,409,081
Value per share (\$) (control)			0.013

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

Note a) Cash and cash equivalents

Management have provided us with the unaudited management accounts for the half year ended 30 June 2019. We have first adjusted the reviewed cash and cash equivalents balance at 31 December 2018 to reflect movements to 30 June 2019, which we have verified by obtaining bank statements to support this balance at 30 June 2019. The increase in cash and cash equivalents during the half year ended 30 June 2019 was largely the result of proceeds from the non-renounceable rights issue of 182,044,573 rights at \$0.023 per right. Capital raising costs of \$0.29 million relating to the non-renounceable rights issue partially offset cash proceeds of \$3.72 million. Subsequent to 30 June 2019, the Company raised capital from the issue of the Tranche One shares under the Placement, in addition to the issue of Tranche Two shares to Mr. Andrew Goodall and existing shareholders of Memphasys subject to shareholder approval, as detailed in the table below. We note that as at the date of our Report, the Tranche Two shares are yet to be issued, however we are providing an opinion on the issue of shares to Peters Investments pursuant to Item 7 of Section 611 of the Act. Therefore, we have reflected the issue of the Tranche Two shares in our

valuation of Memphasys prior to the Proposed Transaction. Our adjustments to the cash balance at 31 December 2018 are set out below.

Cash and cash equivalents	\$
Reviewed balance at 31 December 2018	215,961
Cash raised on entitlement rights issue	3,640,891
Less: Non-renounceable entitlement issue costs	(286,000)
Less: Other cash costs incurred over the period to 30 June 2019	(2,697,279)
Cash and cash equivalents at 30 June 2019	873,573
Cash raised from the issue of Tranche One shares	1,613,333
Cash raised from the issue of Tranche Two shares to Mr. Andrew Goodall and existing shareholders of Memphasys	606,961
Adjusted cash balance	3,093,867

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

Note b) Other current assets

Other current assets at 30 June 2019 largely comprises the R&D grant from the ATO. The table below shows the adjustments to other current assets between 31 December 2018 and 30 June 2019:

Other current assets	\$
Reviewed other current assets at 31 December 2018	550,277
Additional prepaid expenses and security deposit recognised during the period	95,631
Increase in R&D grant based on expenditure during the period	634,127
Adjusted other current assets	1,280,035

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

In order to establish reasonable grounds for reliance on the unaudited balance of other current assets, we have been provided with a summary of the R&D refunds lodged and received historically which reconciles to an extract from the ATO Business Portal. Management confirm that there has not been a material movement in other current assets subsequent to 30 June 2019.

Note c) Intangible assets

The book value of intangible assets at 30 June 2019 relates to capitalised development expenditure net of deferred income. We have verified the intangible assets balance at 30 June 2019 by obtaining a breakdown of expenditure incurred during the half year ended 30 June 2019, which reconciles to the management accounts. The deferred income represents the portion of the R&D grant that has not been recognised as revenue. The table below shows the adjustments to intangible assets:

Intangible assets	\$
Reviewed intangible assets at 31 December 2018	3,882,728
Capitalised expenditure during the period	1,369,013
Deferred income amounts recognised during the period	(596,425)
Adjusted intangible assets	4,655,316

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

Management confirm that there has not been a material movement in intangible assets subsequent to 30 June 2019.

Note d) Interest bearing liabilities

Interest bearing liabilities at 31 December 2018 reflected a line of credit from Executive Chairman Ms. Alison Coutts. The funds were repaid during the half year ended 30 June 2019. We have therefore adjusted this liability to nil.

Note e) Non-interest bearing liabilities

Non-interest bearing liabilities at 31 December 2018 largely related to loans from Director Mr. Andrew Goodall. On 28 March 2019, \$892,301 of the debt was converted to equity pursuant to the non-renounceable entitlement rights issue, and \$293,039 of the debt will be converted from Tranche Two of the Placement following shareholder approval. Therefore, we have adjusted the non-interest bearing liabilities balance at 30 June 2019 to reflect this.

Non-interest bearing liabilities	\$
Reviewed non-interest bearing liabilities at 31 December 2018	626,334
Loan amounts from Mr. Andrew Goodall during the period	585,339
Less: Loan amount converted to equity during the period	(1,185,340)
Adjusted non-interest bearing liabilities	26,333

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

Note f) Number of shares on issue

The shares on issue at 30 June 2019 included the issue of 182,044,573 non-renounceable rights that occurred on 1 March 2019, in addition to the issue of 4,000,000 shares to Monash on 5 April 2019. Subsequent to 30 June 2019, the Company completed Tranche One of the Placement that involved the issue of 70,144,928 shares, and subject to shareholder approval, part of Tranche Two of the Placement consisting 39,130,435 issued to Mr. Andrew Goodall and existing shareholders of Memphasys. Therefore, we have adjusted the number of shares on issue to reflect this. We note that as at the date of our Report, the Tranche Two shares are yet to be issued, however we are providing an opinion on the issue of shares to Peters Investments pursuant to Item 7 of section 611 of the Act. Therefore, we have reflected the issue of the Tranche Two shares in our valuation of Memphasys prior to the Proposed Transaction as set out in the table below.

Number of shares on issue	Number
Number of shares on issue at 31 December 2018	364,089,145
Entitlement rights issue	182,044,573
Share issue to Monash	4,000,000
Shares issued pursuant to Tranche One issue	70,144,928
Shares issued pursuant to Tranche Two issue to Mr. Andrew Goodall and existing shareholders of Memphasys	39,130,435
Adjusted number of shares on issue prior to the Proposed Transaction	659,409,081

Source: BDO analysis, reviewed financial statements for the half year ended 31 December 2018 and unaudited management accounts for the half year ended 30 June 2019

9.2 Quoted Market Prices for Memphasys Securities

To provide a comparison to the valuation of Memphasys in Section 9.1, we have also assessed the quoted market price for a Memphasys share.

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

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

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

Whilst Peters Investments will not be obtaining 100% of Memphasys, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 12.

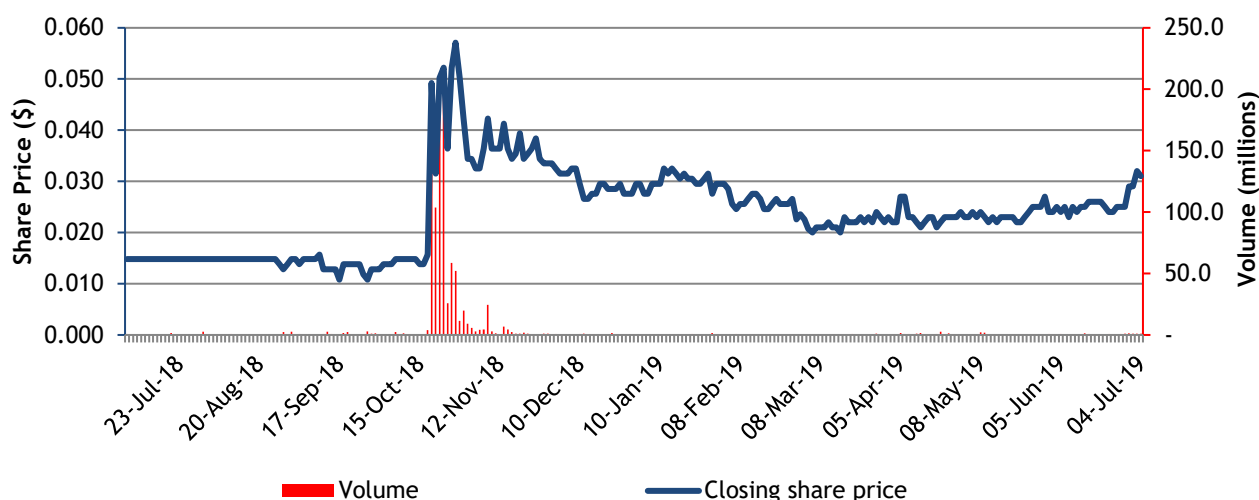
Therefore, our calculation of the quoted market price of a Memphasys share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value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

Minority interest value

Our analysis of the quoted market price of a Memphasys share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Memphasys share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of a Memphasys share following the announcement when we have considered reasonableness in Section 12.

Information on the Proposed Transaction was announced to the market on 9 July 2019. Therefore, the following chart provides a summary of the share price movement over the 12 months to 4 July 2019, which was the last trading day prior to the announcement.

Memphasys share price and trading volume history



Source: Bloomberg

The daily price of Memphasys shares from 4 July 2018 to 4 July 2019 has ranged from a low of \$0.011 on 17 September 2018 and 26 September 2018 to a high of \$0.057 on 26 October 2018. The daily volume of shares traded fluctuated largely over the year. The highest single trading day over the assessed period was 23 October 2018, when 214,854,434 shares were traded.

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

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
05/06/2019	Cleansing Prospectus	0.024	▼	4.0%	0.025	▲	4.2%
26/03/2019	Rights Issue Prospectus Shortfall	0.023	▲	4.5%	0.023	►	0.0%
01/03/2019	Rights Issue Prospectus	0.024	▲	4.4%	0.020	▼	15.3%
28/02/2019	Half Yearly Report and Accounts	0.023	▼	15.0%	0.021	▼	8.4%
27/02/2019	Entitlement Issue and Dual Listing	0.027	▲	3.9%	0.023	▼	15.0%
25/02/2019	Trading Halt	0.026	►	0.0%	0.023	▼	11.7%
23/10/2018	Response to ASX Aware Query	0.052	▲	4.0%	0.057	▲	9.4%
18/10/2018	Response to ASX Price Query	0.049	▲	213.4%	0.052	▲	6.1%
18/10/2018	Pause in Trading	0.049	▲	213.4%	0.052	▲	6.1%
18/09/2018	Collaborative Agreement with Monash IVF Group	0.014	▲	27.8%	0.014	►	0.0%
24/08/2018	Preliminary Final Report	0.015	►	0.0%	0.014	▼	6.8%

On 24 August 2018, Memphasys released its preliminary final report. The report highlighted development and commercialisation of the Felix device had been accelerated, in addition to researchers at The University of Newcastle demonstrating the re-usable cartridge was able to harvest the most viable equine sperm. On the date of the announcement, the share price remained unchanged to close at \$0.015, before decreasing 6.8% over the subsequent three-day trading period to close at \$0.014.

On 18 September 2018, the Company announced it had executed a collaborative agreement with Monash to work towards the commercialisation of the Felix device. On the date of the announcement, the share price increased 27.8% to close at \$0.014 and remained unchanged over the three-day trading period to close at \$0.014.

On 18 October 2018, the following announcements were made:

- ASX issued a pause in trading announcement pending a response to a price query; and
- the Company released an explanation regarding the change in price of securities from a low of \$0.017 to a high of \$0.028 and significant increase in volume.

On the date of the aforementioned announcements, the share price increased 213.4% to close at \$0.049, before increasing a further 6.1% over the subsequent three-day trading period to close at \$0.052. The Company's response to the ASX price query was to the effect that it is not aware of any additional material information that it has not announced to the market. The Company also noted that it has observed a recent increase in trading in other biotech ASX listed companies.

On 23 October 2018, Memphasys announced a statement addressing the sharp price increase of the Company's shares over prior trading days. On the date of the announcement, the share price increased 4.0% to close at \$0.052, before increasing a further 9.4% over the subsequent three-day trading period to close at \$0.057.

On 27 February 2019, Memphasys announced an entitlement issue and dual listing. The entitlement issue was to raise up to approximately \$3.64 million (before costs) on the basis of one share for every two shares held at an issue price of \$0.020 per share. In addition, the Company also announced its shares were quoted on the FSE. On the date of the announcement, the share price increased 3.9% to close at \$0.027, before declining 15.0% to close at \$0.023 over the subsequent three-day trading period.

On 28 February 2019, the Company released its half-yearly report and accounts. On the date of the announcement, the share price decreased 15.0% to close at \$0.023, before declining a further 8.4% to close at \$0.021 over the subsequent three-day trading period.

On 1 March 2019, Memphasys released its prospectus for the entitlement issue. On the date of the announcement, the share price increased 4.4% to close at \$0.024, before decreasing 15.3% to close at \$0.020 over the subsequent three-day trading period.

On 26 March 2019, the Company announced a shortfall in relation to the non-renounceable rights issue prospectus. A total of 182,044,573 rights to shares were offered with 94,736,774 rights accepted. On the date of the announcement, the share price increased 4.5% to close at \$0.023, and remained unchanged to close at \$0.023 over the subsequent three-day trading period.

On 5 June 2019, the Company released a prospectus for the offer of up to 15,000 Memphasys shares at an issue price of \$0.020 per share to raise up to \$300 before expenses. On the date of the announcement, the share price decreased 4.0% to close at \$0.024, before increasing 4.2% to close at \$0.025 over the subsequent three-day trading period.

To provide further analysis of the market prices for a Memphasys share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 July 2019.

Share Price per unit	04-Jul-19	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.031				
Volume weighted average price (VWAP)		\$0.027	\$0.026	\$0.024	\$0.024

Source: Bloomberg, BDO analysis

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

An analysis of the volume of trading in Memphasys shares for the 90 trading days to 4 July 2019 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.031	\$0.033	1,091,127	0.20%
10 Days	\$0.023	\$0.033	8,608,864	1.56%
30 Days	\$0.022	\$0.033	16,971,880	3.09%
60 Days	\$0.020	\$0.033	35,011,447	6.36%
90 Days	\$0.020	\$0.033	43,688,926	7.94%

Source: Bloomberg, BDO analysis

This table indicates that Memphasys' shares display a low level of liquidity, with 7.94% of the Company's current issued capital being traded over a 90-day period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

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

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

In the case of Memphasys, we consider the shares to display a low level of liquidity, on the basis that on average less than 1% of Memphasys' issued capital has been traded over a 5-day trading period. Further, given the significant share price volatility and seemingly unexplained price movements in October 2018, where the share price increased 213.4% in one day, we do not consider there to be a liquid and active market for the Company's shares.

Our assessment is that a range of values for Memphasys shares based on market pricing, after disregarding post announcement pricing, is between \$0.025 and \$0.031.

Control Premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a Memphasys share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed control premiums on completed transactions, paid by acquirers of all ASX listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium).

We have summarised our findings below.

All ASX listed companies

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2019	21	5,837.55	30.19
2018	40	1,228.74	41.96
2017	28	1,009.47	42.67
2016	42	718.51	49.58
2015	33	850.04	33.23
2014	45	518.59	40.00
2013	41	128.21	50.99
2012	52	472.10	51.68
2011	68	891.85	44.43
2010	53	574.61	44.37

Source: BDO and Bloomberg analysis

The mean and median of the entire data sets comprising control transactions from 2009 onwards for all ASX listed companies, is set out below.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
Mean	928.01	44.76
Median	103.66	35.12

Source: Bloomberg

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

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

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

The table above indicates that the long term average control premium paid by acquirers of all ASX listed companies is approximately 44.76%. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 34 ASX listed company transactions in total, for which the announced premium was in excess of 100%.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the last ten years was approximately 35.12% for all ASX listed companies.

Based on the above analysis, we consider an appropriate premium for control to be between 30% and 40%.

Quoted market price including control premium

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

	Low	High
	\$	\$
Quoted market price value	0.025	0.031
Control premium	30%	40%
Quoted market price valuation including a premium for control	0.033	0.043

Source: BDO analysis

Therefore, our valuation of a Memphasys share based on the quoted market price method and including a premium for control is between \$0.033 and \$0.043. Given the volatility of the Company's share price, we consider a wide range of values to be appropriate.

9.3 Assessment of the value of a Memphasys share

The results of the valuations performed are summarised in the table below:

	Low	High
	\$	\$
NAV method (Section 9.1)	0.013	0.013
QMP method (Section 9.2)	0.033	0.043

Source: BDO analysis

Based on the results above we consider the value of a Memphasys share prior to the Proposed Transaction to be \$0.013. We consider the NAV method to be the most appropriate approach to value Memphasys as the Company's shares display a low level of liquidity, and therefore, do not consider it to be appropriate to rely on the QMP as a primary valuation approach.

We note that the value of a Memphasys share derived from the QMP approach is higher than our NAV of a Memphasys share for the following reasons:

- The NAV typically represents a floor value and may not reflect the potential upside from commercialising the Company's Felix device. The NAV incorporates the book value of the Company's intangible assets which is based on historical expenditure. We do not have reasonable grounds to assign value to the potential upside from commercialising the Felix device in excess of the amount that has been spent on the Company's technology historically. The QMP of a Memphasys share likely reflects the market's view of the potential upside of commercialising its technology; and
- As detailed in section 9.2, we do not consider there to be a deep market for trading in the Company's shares as the shares display a low level of liquidity, as well as the shares exhibiting significant and unexplained price movements. As such, the quoted market price may not accurately reflect the underlying value of the Company's shares.

10. Valuation of Memphasys following the Proposed Transaction

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

	Notes	Low \$	High \$
NAV of Memphasys prior to the Proposed Transaction		8,610,071	8,610,071
Cash raised from issue of shares to Peters Investments	a	1,686,667	1,686,667
NAV of Memphasys following the Proposed Transaction (control)		10,296,738	10,296,738
Discount for minority interest	b	29%	23%
NAV of Memphasys following the Proposed Transaction (minority)		7,310,684	7,928,488
Number of shares on issue following the Proposed Transaction	c	732,742,414	732,742,414
Value of a Memphasys share following the Proposed Transaction (minority)		0.010	0.011

Source: BDO analysis

The table above indicates that the value of a Memphasys share following the Proposed Transaction on a minority basis is between \$0.010 and \$0.011. In arriving at this value, the following adjustments were made:

Note a) Cash raised from the issue of shares to Peters Investments

Subject to shareholder approval, the Company will complete the portion of Tranche Two of the Placement to Peters Investments raising \$1,686,667 through the issue of 73,333,333 shares at an issue price of \$0.023 per share. We note that Tranche One of the Placement has already been completed and therefore is reflected in our valuation of a Memphasys share prior to the Proposed Transaction. Further, as detailed in section 9.1, we have reflected the cash raised from the issue of the Tranche Two shares to Mr. Andrew Goodall and existing shareholders of Memphasys in our valuation of Memphasys prior to the Proposed Transaction. As such, our valuation of a share in Memphasys following the Proposed Transaction has only been adjusted to incorporate the cash raised on issue of shares to Peters Investments.

Note b) Minority discount

When assessing approval for the sales of securities, RG 111.41 states that in doing so, shareholders may be forgoing:

- The opportunity of receiving a takeover bid; and
- Sharing in any premium of control.

As explained in section 3.3 of our Report, in assessing fairness we have compared the value of a Memphasys share prior to the Proposed Transaction on a control basis to the value of a Memphasys share following the Proposed Transaction on a minority interest basis. Therefore, we have adjusted the value per share to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1 / (1 + \text{Control Premium}))$. In determining the minority discount, we have used the control premium between 30% and 40% as determined in Section 9.2 of our Report. As such, we consider an appropriate minority discount to apply to our valuation of a Memphasys share following the Proposed Transaction to be in the range of 23% to 29%.

Note c) Number of shares on issue

In Section 4 of our Report, we outlined the number of shares to be issued as part of the Proposed Transaction. As at the date of our Report, the Tranche Two shares are yet to be issued, however we are providing an opinion on the issue of shares to Peters Investments pursuant to Item 7 of section 611 of the Act. Therefore, we have reflected the issue of the Tranche Two shares to Mr. Andrew Goodall and existing shareholders of Memphasys in our valuation of Memphasys prior to the Proposed Transaction, as set out in the table below.

Number of shares on issue following the Proposed Transaction	Number
Number of shares on issue prior to the Proposed Transaction	659,409,081
Tranche Two Shares to be issued to Peters Investments	73,333,333
Number of shares on issue following the Proposed Transaction	732,742,414

11. Is the Proposed Transaction fair?

The value of a Memphasys share prior to the Proposed Transaction (on a control basis) compared to the value of a Memphasys share following the Proposed Transaction (on a minority basis) is set out below:

	Ref	Low \$	High \$
Value of a share in Memphasys prior to the Proposed Transaction on a control basis	9.3	0.013	0.013
Value of share in Memphasys following the Proposed Transaction on a minority basis	10	0.010	0.011

We note from the table above that the value of a Memphasys share prior to the Proposed Transaction on a control basis is greater than the value of a Memphasys share following the Proposed Transaction on a minority basis. Therefore, we consider that the Proposed Transaction is not fair.

12. Is the Proposed Transaction reasonable?

12.1 Alternative Proposal

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

We note that in March 2019, the Company provided existing shareholders with the opportunity to contribute additional capital through a non-renounceable rights issue at a price of \$0.02 per share. As detailed in section 5.2 of our Report, there was a shortfall of 87,307,799 shares which was taken up by the underwriter of the offer, Patersons Securities Ltd. This demonstrates that existing Shareholders had the opportunity to participate in a capital raising at a price lower than that of the Placement.

Further, the Company advised that it had considered convertible loan arrangements but was not able to source the quantum of funds received under Tranche 2 of the Placement. If the Company was able to secure these funds under a convertible note facility, it would likely have been on more onerous terms, with the conversion feature resulting in a greater level of dilution if converted.

12.2 Practical Level of Control

If the Proposed Transaction is approved, then Peters Investments will go from holding an interest of 21.23% of the Company's issued capital to holding an interest of approximately 27.98%.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved then Peters Investments will be able to block special resolutions.

In our opinion, while Peters Investments will be able to influence the activities of Memphasys, it will not be able to exercise a similar level of control as if it held 100% of Memphasys. We note that following the Proposed Transaction there is another shareholder, Mr. Andrew Goodall, with a shareholding in excess of 20%. Therefore, the control implications of the Proposed Transaction are not significant.

12.3 Advantages of approving the Proposed Transaction

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

Advantage	Description
Value of a share in Memphasys on a minority basis increases as a result of the Proposed Transaction	The value of a share in Memphasys on a minority basis following the Proposed Transaction is higher than the value of a share in Memphasys on a minority basis prior to the Proposed Transaction. In Section 9.1, we conclude that the value of a Memphasys share prior to the Proposed Transaction on a control basis is \$0.013. If we apply a minority discount (see Section 10) of between 23% and 29% then this results in a value of a Memphasys share prior to the Proposed Transaction on a minority interest basis of between \$0.009 and \$0.010. Therefore, the value of a Memphasys share on a minority basis following the Proposed Transaction of \$0.010 to \$0.011 is higher than the value of a Memphasys share on a minority basis prior to the Proposed Transaction of \$0.009 to \$0.010.
The cash raised from the Placement to Peters Investments may be used to realise the potential upside in value which is reflected in the Company's share price	As detailed in Section 9.2 of our Report, we consider the QMP value of a Memphasys share prior to the Proposed Transaction on a minority basis to be in the range of \$0.025 and \$0.031. We attribute the difference in value to the market's view of the potential upside value of the Company's technology. All other things equal, the QMP valuation results implies a value of the Company's intangible assets of between \$17.8 million and \$24.4 million. The realisation of any potential upside in value of the Company's technology relies on development funding being available to the Company. The cash raised from the Placement to Peters Investments may be used to realise the potential upside in the value of intangible assets that is being ascribed by the market.
Ability to continue operating as a going concern	The review report for Memphasys for the half year ended 31 December 2018 stated that there was a material uncertainty around the Company's ability to continue as a going concern. The proceeds from the cash raised under the Proposed Transaction will be available to fund additional working capital requirements and development of the Felix device.

Advantage	Description
Support from major shareholder and possibility for contribution of additional capital	If the Proposed Transaction is approved, Peters Investments will become the Company's largest shareholder. If Shareholders approve the Proposed Transaction then the Company may be able to approach Peters Investments for future capital raising opportunities, should the need arise.

12.4 Disadvantages of approving the Proposed Transaction

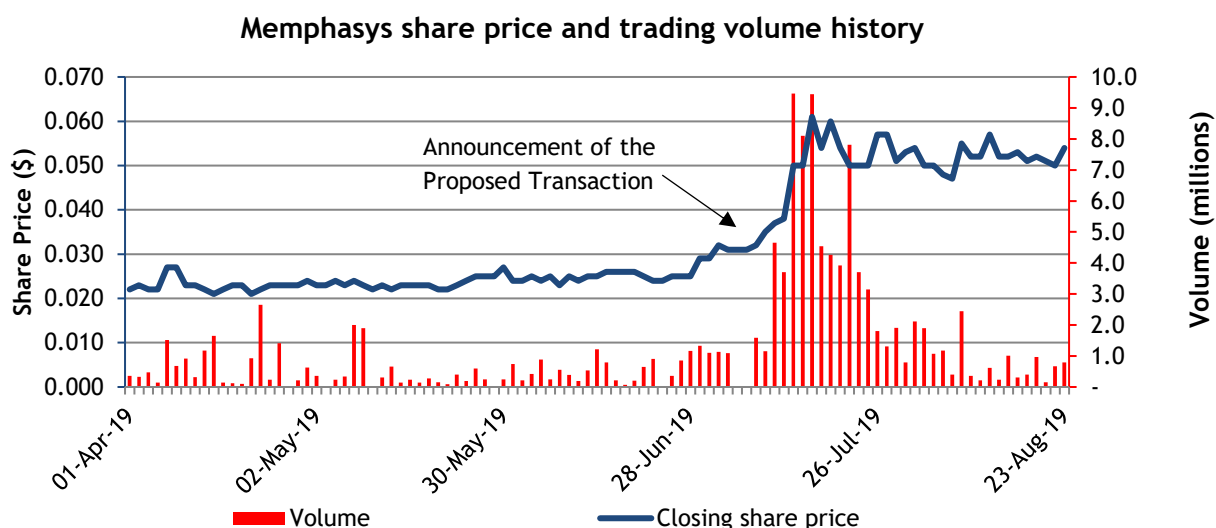
We have considered the following disadvantages when assessing whether the Proposed Transaction is reasonable.

Disadvantage	Description
Dilution of existing Shareholders' interest	As set out in Section 4, if the Proposed Transaction is approved, existing Shareholders' interest in the Company will be diluted from holding 57.08% of the Company's issued capital as at the date of our Report to 48.62% following the Proposed Transaction. We note that in isolation, the issue of shares to Peters Investments will result in existing Shareholders being diluted from 54.02% to 48.62% of the Company's issued capital. The dilution will reduce the collective capacity of existing Shareholders to participate in any potential upside in value, should it materialise. Also, collectively it reduces the level of influence that Shareholders can have on the operations of the Company.
The presence of major shareholders may reduce the liquidity of the Company's shares and may deter a potential takeover offer from being made	Following the Proposed Transaction, Peters Investments will have a shareholding position of 27.98% in Memphasys. Further, Mr. Andrew Goodall (and his associates) will hold an interest of 23.41% following the Proposed Transaction. The presence of two shareholders with in excess of 20% of the shares in Memphasys, may deter a potential takeover bid, therefore preventing Shareholders from receiving a takeover premium in the future. Further, the presence of two major shareholders will reduce the free float of the Company's shares and therefore may reduce liquidity. This may impact Shareholders' ability to liquidate their investment.

12.5 Consequences of not approving the Proposed Transaction

Potential decline in share price

We have analysed movements in Memphasys' share price since the Proposed Transaction was announced. A graph of Memphasys' share price since the announcement is set out below.



Source: Bloomberg

The closing share price of a Memphasys share from 1 April 2019 to 23 August 2019 ranged from a low of \$0.021 on 12 April 2019 and 18 April 2019, to a high of \$0.061 on 17 July 2019 and 19 July 2019.

The Proposed Transaction was announced on 9 July 2019. On that date, the share price closed at \$0.032 from the previous trading day's closing price of \$0.031 on 8 July 2019. On the day that the Proposed Transaction was announced, approximately 0.05 million shares were traded, representing 0.01% of Memphasys' current issued capital. Following the announcement of the Proposed Transaction, the daily price of Memphasys shares increased to reach a high of \$0.061 on 17 July 2019.

On 17 July 2019, the ASX issued a price query to the Company on the back of an increase in the intra day share price from a low of \$0.053 to an intra day high of \$0.064. The Company referenced the announcement on 9 July 2019 which included the Proposed Transaction but also the rest of the Placement, an update on the regulatory approval process and the appointment of a manufacturer to assemble the Felix disposable cartridges.

Given the above analysis, it is possible that if the Proposed Transaction is not approved then Memphasys' share price may decline, however given the nature of the Company's other announcements any decline may not be to pre-announcement levels.

12.6 Other considerations

We note that in the event that the Proposed Transaction is not approved, Peters Investments may negotiate with the Company to increase its stake in Memphasys by 3% every six months pursuant to the 3% creep provisions of the Act. Therefore, Peters Investments may still increase its holdings in Memphasys

over time. It is uncertain as to the price at which subsequent capital could be contributed (if at all), therefore we have included this as an other consideration for Shareholders.

13. Conclusion

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

Despite being not fair, we consider the Proposed Transaction to be reasonable because we consider the advantages of the Proposed Transaction to outweigh the disadvantages. Specifically, the value of a share in Memphasys on a minority interest basis increases as a result of the Proposed Transaction. Also, the cash raised from the Placement to Peters Investments may be used to realise the potential upside in value that is being ascribed by the market. Further, in the event that the Proposed Transaction is not approved, Peters Investments may increase its interest progressively under the 3% creep provisions of the Act. Therefore, we do not consider the disadvantages relating to dilution of existing shareholders' interests and the presence of major shareholders to be significant.

Giving consideration to the above factors, and the lack of superior alternative fund raising options, we consider the Proposed Transaction to be reasonable for Shareholders.

14. Sources of information

This report has been based on the following information:

- Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Memphasys for the years ended 30 June 2017 and 30 June 2018;
- Reviewed financial statements of Memphasys for the half-year ended 31 December 2018;
- Unaudited management accounts of Memphasys for the period ended 30 June 2019;
- Information in the public domain including;
 - ASX announcements;
 - IBISWorld reports;
 - University of New South Wales: Assisted reproductive technology in Australia and New Zealand 2016;
 - Australian Bureau of Statistics;
 - European Society of Human Reproduction and Embryology: ART Fact Sheet 18 February 2018;
 - Vitrolife AB 2018 Annual Report;
 - Australian Government Department of Primary Industries and Regional Development;
 - Reserve Bank of Australia statements;
 - Bloomberg; and
 - S&P Capital IQ.
- Share registry information; and
- Discussions with Directors and Management of Memphasys.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

Other than advice given in relation to an option valuation for a fee of approximately \$2,000, neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Memphasys, or their associates, other than in connection with the preparation of this report.

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

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16. Qualifications

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

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

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

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Natural Resources Leader for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants. Ashton has over eight years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

17. Disclaimers and consents

This report has been prepared at the request of Memphasys for inclusion in the Notice of Meeting which will be sent to all Memphasys Shareholders. Memphasys engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the Proposed Transaction is fair and reasonable to Shareholders.

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

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

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

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

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

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

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Adam Myers'.

Adam Myers
Director

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

Sherif Andrawes
Director

Appendix 1 - Glossary of Terms

Reference	Definition
A-Bio	A-Bio Pharma Pte Ltd
AART	Animal artificial reproductive technologies
The Act	The Corporations Act 2001 Cth
AFCA	Australian Financial Complaints Authority
AI	Artificial insemination
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ART	Assisted reproductive technology
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BDO	BDO Corporate Finance (WA) Pty Ltd
Bridge Road	Bridge Road Capital Pty Ltd
The Company	Memphasys Limited
Corporations Act	The Corporations Act 2001 Cth
Crescendas	Crescendas Projects Pte Ltd
DCF	Discounted Future Cash Flows
Dycent Biotech	Dycent Biotech (Shanghai) Co. Ltd
ESHRE	European Society of Human Reproduction and Embryology
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSE	Frankfurt Stock Exchange

Reference	Definition
FSG	Financial Services Guide
GDP	Gross Domestic Product
Hydrix	Hydrix Limited
IVF	In-vitro fertilisation
Manukan	Pulau Manukan Ventures Labuan Ltd
Memphasys	Memphasys Limited
Minitube	Minitube GmbH
Monash	Monash IVF Group
MoU	Memorandum of Understanding
NAV	Net Asset Value
NuSep	NuSep Holdings Limited
Peters Investments	Peters Investments Pty Ltd
Placement	Capital raising involving the issue of 182,608,696 shares at an issue price of \$0.023 per share to raise up to \$4.20 million (before costs)
Platinum	Platinum Road Pty Ltd
PrIME	PrIME Biologics Pte Ltd
Proposed Transaction	The issue of 73,333,333 securities to Peters Investments under Tranche 2 of the Placement, increasing its voting power from 21.23% to 27.98%
QMP	Quoted market price
R&D	Research and development
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)

Reference	Definition
RG 170	Prospective Financial Information (April 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 611	Section 611 of the Corporations Act
SGD	Singaporean dollar
Shareholders	The non-associated shareholders of Peters Investments
Tranche One	70,144,928 ordinary shares at \$0.023 per share to raise \$1,613,333
Tranche Two	112,463,768 ordinary shares at \$0.023 to raise \$2,586,667
Transocean	Transocean Securities Pty Ltd
Virtus	Virtus Health Limited
VWAP	Volume Weighted Average Price

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The Directors

BDO Corporate Finance (WA) Pty Ltd

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Appendix 2 - Valuation Methodologies

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

1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

2 *Quoted Market Price Basis ('QMP')*

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

3 *Capitalisation of future maintainable earnings ('FME')*

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

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

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

4 Discounted future cash flows ('DCF')

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

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

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

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

5 Market Based Assessment

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

