ASX Release
26 May 2021

ASX Code: MEM

Major shareholders provide $3m in new funding, to be applied to Felix commercialisation and advancing a range of new products.

Highlights

- **A$3m in funding secured from two largest shareholders Peters Investments and Non-Executive Director Andrew Goodall**
- **Funds strengthen MEM's balance sheet and will be applied to:**
  - **Completing Verification and Validation program on updated Felix device suitable for commercial discussions to re-commence in early markets; and**
  - **Progressing a range of products currently being developed by MEM in conjunction with the University of Newcastle, including the next generation Felix device for human and wider animal market, in vitro diagnostics for human semen quality and development of long-life semen storage media**
- **The issue of Convertible Notes and Options will be subject to approval of Memphasys' shareholders**

Australian-based bio-separations company Memphasys Limited (ASX: MEM) ("Memphasys" or "the Company") has significantly enhanced its balance sheet, with the Company's two largest shareholders Peters Investments Pty Ltd ($1.65m) and Non-Executive Director Andrew Goodall ($1.35m) committing a total of $3m (before costs) to the Company and its plans, via the issue of Convertible Notes.

This funding will enable the Company to complete a range of necessary tasks for the upgraded Felix device, ahead of the re-commencement of commercial sales discussions in early access markets during the later stages of the quarter ending September 2021. [1]

These early markets are projected to conduct 1,200,000 fresh IVF cycles per annum by 2026 (having conducted 450,570 fresh IVF cycles in 2018)[2]

The funding will also enable the Company to advance the additional products currently being developed by the Company in conjunction with the University of Newcastle.

In addition to the commercialisation of the Felix device, Memphasys is also developing a portfolio of novel artificial reproduction products for humans and animals, with global reproductive biology expert, Professor John Aitken, and his research team at the University of Newcastle[3].

[1] Refer ASX announcement dated 27 April 2021
[2] Refer ASX announcement dated 21 November 2019
[3] Refer ASX announcement dated 4 May 2021

This product portfolio is focused on reproduction in both humans and animals and includes the next generation Felix device for human and wider animal market, in vitro diagnostics for human and animal semen quality and the development of proprietary long-life semen storage media.

Memphasys has confirmed, following positive outcomes of initial proof-of-concept studies on some of these projects, that clinical and market opportunity for these products has been established. As a result, resourcing has been expanded within Memphasys and the University of Newcastle research team led by Professor John Aitken to rapidly advance these products.

A prototype for one of its projects, the Stallion Fertility Test (at dismount), is now being developed, and is planned to be field tested during the racehorse breeding season starting in September 2021 in Australia.

Clinical field testing of the other products is planned for 2022.

The addressable market for these new products is significant, with the global animal artificial insemination industry alone estimated to reach US$2.5 billion by 2026.[4]

Commenting on the funding, Memphasys Executive Chair Alison Coutts said:

"I am pleased with the support we have received from our two major shareholders via this capital raising. It is a significant vote of confidence in Memphasys and the technology that underlies our Felix device, providing us with the necessary funds to complete verification and validation activities on the updated Felix device and the commencement of commercialisation activities in early access markets.

The funding will also further our work with Professor John Aitken's research team at the University of Newcastle into our assisted reproduction product portfolio, including our most advanced product, the Stallion Fertility Test.

"I look forward to updating shareholders as we continue to progress towards commercialisation of our Felix device and these other products."

Convertible Notes

Peters Investments Pty Ltd and Andrew Goodall have agreed to subscribe for unsecured Convertible Notes in the Company, with a combined value of $3m.

The material terms and conditions of the Convertible Notes are provided in Appendix 1 of this announcement.

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[4] Grand View Research - "Veterinary Artificial Insemination Market Size, Share & Trends Analysis Report By Animal Type (Cattle, Swine, Sheep, Canine), By Product (Normal & Sexed Semen), By End-use (Vet Hospitals & Clinics), By Region, And Segment Forecasts, 2019 - 2026".

Canaccord acted as Lead Manager and broker to the capital raising, and will receive the following fees in consideration for these services:

(a) a gross 2% fee,

(b) an additional 2% of the Convertible Notes subscribed for by Peters Investments Pty Ltd when the Convertible Notes are issued; and

(c) a further 2% fee on conversion of the Convertible Notes (if conversion occurs) by Peters Investments Pty Ltd.

Options

In addition to the material terms and conditions of the Convertible Notes as set out in Schedule 1, the Company has agreed (subject to shareholder approval) to issue one (1) unlisted option to the investors for every dollar of Convertible Notes subscribed for (Peters Investments Pty Ltd (1.65m) and Andrew Goodall (1.35m)), exercisable at $0.06 on or before 31 December 2023.

If the Company does not receive shareholder approval for the issue of these options, the Company will pay to the investors an amount equal to the Black & Scholes valuation of the options as at the date the shareholder meeting.

This announcement has been approved for release by the board of Memphasys Limited.

ENDS

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About Memphasys:

Memphasys Limited is focused on reproductive biotechnology and proprietary cell separation techniques. It is developing novel medical devices, diagnostics, and media with application to assisted reproduction technologies, including IVF in humans and artificial insemination in animals.

Website: www.memphasys.com

Appendix 1: Terms of the Convertible Notes

- The Convertible Notes are subject to standard Conditions Precedent including due diligence and all necessary shareholder and regulatory approvals.
- The Convertible Notes are unsecured.
- Interest rate of 8% per annum, payable in cash or shares at the Lender's election.
- Facilitation Fee of 3% of gross value of Convertible Notes, to be added to the gross value of the Convertible Notes.
- Repayment Date: 31 December 2022.
- Conversion Price: the lower of:
    - $0.06; and
    - a 20% discount to the issue price of shares and/or the exercise price of any options offered under any capital raising(s) completed by the Company of greater than $1,000,000 prior to the Repayment Date.
- The Company must seek all necessary and appropriate shareholder approvals for the issue of the Convertible Notes, and if the Company fails to receive such approval, must repay all monies advanced plus any accrued interest.
- Conversion of some or all of the Convertible Notes can occur at any time prior to the Repayment Date. If the Lender wishes to be repaid in cash rather than convert, such an election must be made no less than 90 days prior to the Repayment Date.
- Default events:
    - The Company breaches the Convertible Note and fails to rectify such a breach within 5 business days;
    - Breach of warranty by the Company; and
    - Any form of winding up, receivership, insolvency or compromise event is entered into by the Company.

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