

MEMPHASYS REACHES SETTLEMENT AGREEMENT WITH HYDRIX

Australian-based bio-separations and reproductive biotechnology company Memphasys Limited (ASX: MEM) (“Memphasys” or “the Company”) is pleased to announce it has entered a settlement agreement (via a binding Heads of Agreement) with its engineering and design partner Hydrix Services Pty Ltd (“Hydrix”) concerning an engineering flaw with the Felix device.¹

As previously announced, the engineering flaw was identified in the latter stages of the engineering validation process for the Felix device and contributed to a substantial delay to initial commercial sales of the device. Memphasys and Hydrix worked closely to identify and remediate the issue with both parties undertaking an in-depth assessment of the issue. The issue has now been fully rectified.

The parties have reached an agreement to resolve the matter as follows:

- \$500,000 (plus GST) re-imbusement for costs incurred by Memphasys to be paid as a cash payment of \$125,000 (plus GST) per quarter over four quarters to Memphasys
- 1 million Hydrix Ordinary shares (ASX:HYD) issued to Memphasys

In addition, and in support of the strong collaboration between the parties, Memphasys will issue 3 million Memphasys Options to Hydrix, with a two-year expiry and with a conversion price of 10c per option.

Commenting on the successful resolution, Memphasys Executive Chairman Alison Coutts said:

“While the engineering issue, which contributed to a substantial delay to initial commercial sales process of Felix, was disappointing, I am pleased we have reached settlement with Hydrix and that both parties remain committed to the partnership in bringing the Felix device into commercialisation.

“Hydrix have been a key partner in commercialising the Felix device and we look forward to working with them to help us develop future technologies we are working on.”

Verification and Validation Activities Update

Verification activities on the upgraded Felix device were completed by 30 June 2021. Final validation activities were expected to be completed by 30 September 2021, however the final two activities, which are straightforward to conduct, have been delayed due to the impact of COVID-19. The tests are expected to be completed once COVID-19 lockdown restrictions are relaxed to allow validation completion.

The delays include logistics of moving cartridges and supplies to gamma irradiation facilities and other test facilities as well as delays in processing in the irradiation facility itself, and a limitation of semen sample availability at both the University of Newcastle and Monash IVF. However, the delays are not expected to impact future sales discussions.

¹ Refer to ASX announcement dated 8th March 2021

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Commercial sales discussion with Key Opinion Leaders (“KOLs”) in early markets are expected to resume from next month and testing of the re-engineered Felix devices by those KOLs is well underway.

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

ENDS

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About Memphasys:

Memphasys Limited (**ASX: MEM**) specialises in biological separations for high value commercial applications. The Company’s patented membrane processes in combination with electrophoresis, the application of an electrical potential difference across a fluid, enable the separation of high value substances or contaminants from the fluid in which they are contained.

The main application of the technology is the separation of the most viable sperm cells for artificial reproduction, most particularly for human IVF.

Website: www.memphasys.com

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