

29 July 2022

(ASX:MEM)

**JUNE 2022 QUARTERLY ACTIVITY REPORT AND APPENDIX 4C –
MEMPHASYS LIMITED (ASX: MEM)**

Memphasys Limited ('Memphasys' or the 'Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 June 2022 ('Q4'), along with the following update.

Business activities in the June Quarter (Q4)

Memphasys is a reproductive biotechnology company. It is developing novel medical devices, diagnostics, and media with application to assisted reproduction technologies in humans and animals.

The Company is commercialising the Felix™ Device, which separates high quality sperm for IVF processes. In addition, it has several research and development (R&D) projects being undertaken at the University of Newcastle, Australia.

There was no change in the activities of the Company during Q4.

The Company spent 45% more than Q3 on R&D projects and 62% less than in Q2. The difference was mainly driven by the instalments relating to the research agreement paid to the University of Newcastle. As mentioned in the above paragraph, there was no change in the activities of the Company in the current quarter, and therefore variations in the total amount of quarterly payments are not a reflection of the amount of R&D work completed in any period.

Lease asset payments have increased by 70% from the prior quarter due to the payment of the yearly land tax bill included in rent ongoing.

Staff and consultant costs decreased by 9% from Q3 after having increased by the same margin on that quarter from the prior quarter. Therefore, Q4 remains in line with Q2 and Q1 and only different from Q3, when a \$70,000 cash bonus was paid to personnel and consultants for achieving milestone of first clinical sale in an early market by 31 December 2021.

Administration and Corporate costs remain at the same level than the prior quarter. These costs include payment of:

- non-executive director fees for a total of \$56,000. As announced on 26 April 2022, Mr Robert Cooke was appointed as a Non-Executive Chairman and Mr Shane Hartwig concurrently resigned from the position of Non-Executive Director.
- salaries of \$87,500 paid to Ms Alison Coutts, who on 26 April 2022 was appointed to the positions of Managing Director and CEO of the Company.

The third and fourth (final) instalments of the cash reimbursement from Hydrix Ltd, amounting to \$125,000 each, were received in the June quarter.

Material Developments

Memphasys did not make any sales of the Felix™ System during Q4. On 9 June 2022, the Company announced the reasons why sales have been slower than expected in early markets but that more sales were anticipated.

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In the month of June, the Company announced that:

- it is preparing for a pre-submission meeting with the US Food and Drug Administration and that initial feedback from specialist regulatory consultants is that as the Felix™ System will be classed as a novel class II device and, as there is no predicate device, it is likely to require a *de novo* submission.
- It received the effective ISO 13485 certification, international accreditation for its Quality Management System to provide medical devices and related services to meet customer and applicable regulatory requirements.
- the Monash IVF Group (MIVF) clinical study of the Felix™ Device has enrolled and treated the first couple. By 30 June 2022, the study had four MIVF sites cleared to commence patient recruitment and study enrolment. Subsequently three more sites were proposed to come on stream by 1 August 2022. The study is anticipated to be completed by the end of December 2022, subject to recruitment/treatment rates.

This announcement was approved by the Board of Memphasys.

For further information, please contact:

Memphasys Limited
Alison Coutts
Managing Director and CEO
(02) 8415-7300

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Memphasys Limited

ABN

33 120 047 556

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	13	27
1.2 Payments for		
(a) research and development	(235)	(1,173)
(b) product manufacturing and operating costs	(81)	(321)
(c) advertising and marketing	(17)	(46)
(d) leased assets	(75)	(211)
(e) staff costs	(480)	(1,971)
(f) administration and corporate costs	(234)	(1,037)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,380
1.8 Other (first instalment reimbursement amount received from Hydrix)	250	500
1.9 Net cash from / (used in) operating activities	(858)	(2,851)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	(3)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	1,076
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(31)
3.5 Proceeds from borrowings	75	75
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	75	1,120

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,052	2,003
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(858)	(2,851)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	75	1,120
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	269	269

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	269	1,052
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	269	1,052

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	144
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	75	75
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Alison Coutts have advanced this amount to the Company as a prepayment for her participation in the next capital raising.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(858)
8.2 Cash and cash equivalents at quarter end (item 4.6)	269
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	269
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.31
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: We expect the rate of spending to increase during the next quarter due to both seasonal payments, such as the D&O insurance and the periodic payment of the research agreement with the University of Newcastle falling due, and new activities (including preparing the pathways to obtain regulatory approval for the Felix™ system to be marketed in China and the US). This increase in spending will be more than offset in the next quarter by the expected R&D tax refund to be received from the ATO.	

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8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is finalising the terms of a funding package with its long-standing corporate advisor, Canaccord Genuity (Australia) Limited, with respect to a proposed Capital Raising, details of which will be announced to the market in due course. In the interim, the Company is being provided with a working capital loan of approximately \$440,000 from its largest shareholder, Peters Investments Pty Ltd (an entity controlled by Bob Peters), which shall convert into equity at the prevailing price of the Capital Raising and is otherwise on arm's length terms. The proposed capital raising is to be structured as an entitlement issue and placement.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The business expects to be able to continue its operations to meet its business objectives on the basis it has the necessary licences, agreements and technical personal in place to ensure the Company continues to advance the commercialisation of the Felix Device (and other technologies).

As outlined in 8.6.2., the Company has the support of its longstanding corporate advisor and major shareholders and is finalising a longer-term funding package.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards

Quarterly cash flow report for entities subject to Listing Rule 4.7B

and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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