For personal use only

Appendix 4D

Half year report

Name of the entity:	**Memphasys Limited**
ABN:	**33 120 047 556**

Half year ended ('current period')	Half year ended ('previous corresponding period')
31 December 2022	31 December 2021

Results for announcement to the market

				$A'000
Sales from continuing operations	**Down**	**69%**	**to**	**4**
Gross profit (loss) from continuing operations	**Down**	**56%**	**to**	**2**
Profit (loss) from continuing activities after tax attributable to members	**Up**	**26%**	**to**	**(1,183)**
Net Profit (loss) for the period attributable to members	**Up**	**26%**	**at**	**(1,183)**

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend, N/A

Brief explanation of any of the figures reported above:

Refer to "Principal Activities and review of operations in the directors' report attached to the Appendix 4D"

NTA backing	**31 December 2022**	31 December 2021
Net tangible asset backing per ordinary security	**(0.0026) dollars**	(0.0026) dollars

For personal use only

Audit/Review Status

This report is based on accounts to which one of the following applies:(Tick one)

The accounts have been audited		The accounts have been subject to review	X
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

The review report is an unqualified review opinion

For personal use only

Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556

Interim Financial Report
for the half-year ended 31 December 2022

For personal use only

Contents

Directors' report	3
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the consolidated interim financial statements	14
Directors' declaration	20
Auditor's independence declaration	21
Independent auditor's review report to the members	22-23
Corporate directory	24

For personal use only

Directors' Report

The Directors submit their report for the consolidated entity consisting of Memphasys Limited ("the Company") and its controlled entities ("MEM" or the "Group") for the half-year ended 31 December 2022.

Directors

The names of the Directors of the Company in office at any time during or since the end of the interim period are:

Mr Robert Cooke	Independent Non-Executive Chairman
Ms Alison Coutts	Managing Director and CEO
Mr Andrew Goodall	Non-Executive Director
Mr Paul Wright	Independent Non-Executive Director

REVIEW OF OPERATIONS

OPERATING ENVIRONMENT

The half year to December 2022 was a significant time for MEM. Many of the restrictions to its business brought about by the COVID pandemic were resolved or relaxed and this enabled MEM to accelerate critical product pipeline commercialisation activities.

Due to the restrictions imposed by COVID and the ensuing closure of some IVF facilities, several of MEM's Key Opinion Leader (KOL) partners had been unable to complete evaluations on the Felix™ System (Felix™), MEM's first commercial product. Many KOLs resumed or initiated plans to resume evaluations in the half year to December 2022.

KOLs are a key reference point for the wider IVF community on industry innovation, and the most likely 'first buyers' of new products. MEM had KOL partners across eight countries who were engaged in clinical assessments of the Felix™ at the time the pandemic emerged in early 2020. *In vitro* assessments and *in vivo* clinical trials are essential for generating clinical data on Felix™ in complex regulated markets such as the United States, Australia and China, which demand *in vitro* and clinical trial data ahead of regulatory submissions and subsequent approval to market the device. KOLs in early access markets also require *in vitro* and clinical *in vivo* data, typically oocyte fertilisation rates and embryo quality scores, to demonstrate the performance of Felix™ before they commit to a purchase.

Importantly, the lifting of border restrictions meant that MEM was able to engage partners, potential customers and regulators in person during the half year to December 2022. In person engagement is critical to conducting business and building relationships. MEM's ability to again engage its stakeholders face to face during the period greatly accelerated the roll-out of its commercialisation strategy for Felix™ for the first time since the pandemic.

PRODUCT PIPELINE

The Felix™ System
Felix™ is a patented, automated device for quickly separating high quality sperm from semen for use in human IVF procedures without causing damage to DNA. Felix™ has an estimated addressable global market size of around A$670 million[1].

KOL Research

During the half year to December 2022, several KOLs strongly endorsed the Felix™ System with the publication of peer reviewed research in globally significant journals.

[1] Allied Market Research Global IVF Services Market 2019 "The Infertility Trap: Why Life Choices Impact Your Fertility & Why We Must Act Now" – Cambridge University Press 5 May 2022

For personal use only

Research[2] conducted by renowned French genetics reproduction and development lab (GReD), supported by the University Clermont Auvergne (UCA), and led by Professor Joel Drevet, an international leader in mammalian andrology and oxidative stress, concluded Felix™ "outperforms DGC" (density gradient centrifugation), the most common process currently used to select sperm for IVF.

Another paper published in the 'Journal of Assisted Reproduction and Genetics' by a group of highly esteemed international Assisted Reproductive Technology (ART) centres in Australia, India, Sweden, the United States and China[3] determined Felix™ "is a positive technical development capable of isolating suspensions of highly motile spermatozoa exhibiting low levels of DNA damage in a fraction of the time taken by conventional procedures such as DGC".

MEM expects the publication of more peer reviews and the results of clinical trials to be published throughout the 2023 calendar year.

Pathway to Market

Japan and Canada

Japan recently introduced changes to the insurance coverage of IVF. Consequently, MEM has chosen to initially work with clinics that only treat self-funded patients as a way of expediting its clinical trials and obtaining potential sales. In late 2022, MEM's KOL partner agreed to a small-scale *in vivo* study to compare Felix™ with its standard separation procedure DGC, followed by Swim Up. The trial is due to commence shortly.

MEM's KOL partner in Canada also agreed in principle to undertake *in vivo* trials and MEM is currently preparing the protocols for the trial.

Iran

A clinical trial began with MEM's KOL in Isfahan, Iran in December 2022 to compare the performance of Felix with DGC for preparing sperm for IVF.

Australia

MEM is conducting a clinical trial in collaboration with leading Australian reproductive and fertility services company, Monash IVF (MVF). The trial's overall initial (blinded) results have been encouraging with respect to fertilisation rates and embryo utilisation rates.

During the half year to December 2022, the trial recruitment rate was slower than anticipated due to lower-than-expected post-COVID participation rates across clinical sites and patients failing to meet the trial's stringent entry criteria.

MEM has worked with MVF technical and marketing personnel to increase awareness of the trial among fertility specialists, add to the number of local participating sites and broaden patient entry criteria to include a wider pool of potential participants. MEM continues to monitor participation rates in the trial and is evaluating other methods to increase participation rates including the potential addition of a large international site should recruitment rates need further boosting.

Regulatory Planning

India

The Indian regulator, the Central Drugs Standard Control Organisation (CDSCO), introduced changes to the regulation of all ART clinical processes undertaken in India and to all medical devices sold in India on 9 August 2022. While these changes have slowed the regulatory approval process in India, MEM believes

[2] Spermatozoa isolation with Felix™ outperforms conventional density gradient centrifugation preparation in selecting cells with low DNA damage - published by the American Society of Andrology and the European Academy of Andrology in leading medical magazine, Andrology.
[3] The team comprised Farnaz Shapouri, Tara Mahendran, Mirudhubashini Govindarajan, Philip Xie, Olena Kocur, Gianpiero D. Palermo, Hassan W. Bakos, Aisling Ahlström, Gunilla Caisander, Bo Xu, Shun Bai, Sarah Lambourne R. John Aitken

For personal use only

a strong regulatory regime will ultimately improve market stability and provide more clarity around market opportunities for companies like MEM seeking to establish and build a robust business in India.

In the half year to December 2022, MEM took steps to address the regulatory changes, starting with the submission of a voluntary product registration with CDSCO as an initial strategy to sell non-commercial quantities in India.

MEM's Chief Executive Officer, Ms Alison Coutts, visited India in late 2022 to confer with MEM's Indian KOL partners, consultants, medical device manufacturers, distributors and other parties affected by the regulatory changes. Following this trip, the Company has retained a local consulting firm to advise MEM on India's developing regulatory landscape and the best commercial solution going forward for the roll-out of MEM's India strategy.

While changes to the regulation of medical devices sold in India continue to evolve, it has become evident that imported devices will now need home country approval from their place of manufacture before they can be sold in India. As a result, MEM is evaluating the prospect of manufacturing Felix™ in India. This solution would likely reduce production costs, negate import duties and import agent fees and speed up the process to enable Felix™ sales in India.

China

MEM submitted two applications to the National Medical Products Administration, China's regulatory authority in the half year to 2022. The first submission requested a device classification for Felix™; the second submission sought eligibility for Felix™ to be fast-tracked on the 'Green Channel' regulatory pathway for innovative medical products. MEM expects a response to its applications before the end of the current financial year.

United States

During the period, MEM lodged a pre-submission meeting request with the Food and Drug Administration (FDA) in the United States. The FDA subsequently provided extensive and useful feedback on the proposed plans, including clinical trial design, methods for cartridge batch testing and on the suggested biocompatibility test program. MEM is now planning for a pre-submission meeting. After the pre-submission meeting, MEM will develop a comprehensive plan to prepare for and conduct clinical trials in the United States that will be utilised as part of the submission to request regulatory approval.

Australia

In Australia, the results of the MVF clinical study will be filed with the regulator, the Therapeutic Goods Administration (TGA), to support MEM's application to sell Felix™ domestically and to support the registration of Felix™ in other jurisdictions, potentially in the EU as well as various countries in Asia and the Middle East.

ROSA (Rapid Oxidative Stress Assay)

The ROSA device is a point-of-care wellness indicator that measures the concentration of antioxidants in human semen and/or blood. It utilises a reaction (under patent application) that occurs in minutes rather than hours.

Oxidative stress is the imbalance between the generation of reactive oxygen species and antioxidant protection that mitigates the effect of these reactive oxygen species in the body, and is an underlying factor in infertility, serious issues in pregnancy and many diseases such as Alzheimer's disease, diabetes and heart disease.

The ROSA diagnostic will be unique; the only currently available, accurate alternative to measure oxidative stress requires complex and time-consuming laboratory testing. Estimated addressable market size is more than A$2 billion[4].

[4] Human fertility market application only

For personal use only

Pathway to Market

In the half year to December 2022, MEM continued to optimise the reaction conditions for the diagnostic and started work on a prototype which will be further developed to evaluate antioxidant levels in clinical samples of semen and in blood. If the results are proven to be clinically accurate, MEM will produce a commercial product which will undergo clinical validation trials with various KOL partners. MEM will then apply for regulatory approval to sell the product.

An *in vitro* diagnostic device such as ROSA will have lower hurdles to obtain regulatory approvals and will also be cheaper to manufacture than Felix™.

AI-Port

AI-Port will also be uniquely positioned. The device is being developed to store and transport animal semen at ambient temperature for at least three days without the harmful effects of freezing sperm for AI procedures in livestock. The estimated addressable market size for beef cattle, MEM's initial focus, is A$1.8 billion[5].

Pathway to Market

In the half year to December 2022, MEM established a proof-of-concept device in combination with a novel proprietary medium.

MEM also reached an agreement to undertake *in vivo* field trials with several studs that use AI on highly valued beef cattle. These trials would compare the outcome of using the MEM prototype with the standard freeze/thaw AI procedure to obtain cattle pregnancies.

Like ROSA, the regulatory process and licensing for the animal AI market is far less complex than the human IVF market, making the expected time to market for AI-Port far shorter and less costly than for products such as Felix™.

Samson™ System

The Samson™ System (Samson™) was developed as a diagnostic device for evaluating the fertility of thoroughbred stallions shortly after inseminating a mare.

In 2021, Memphasys evaluated this device in a Hunter Valley thoroughbred horse breeding stud and found the information it generated could be used to classify inseminations as fertile or infertile with more than 90 per cent accuracy.

In October and November 2022, Memphasys evaluated Samson™ for a second successive season at the same stud and again found the data it generated could be used to categorise successful/unsuccessful inseminations with more than 90 per cent accuracy.

However, when the algorithms generated in these studies were used to predict the outcome of new inseminations, the level of accuracy achieved did not meet the technical specifications required to warrant progressing the product to the commercialisation stage.

As a result of these detailed evaluations, it was concluded in February 2023 to discontinue the development of Samson™ as a diagnostic device.

Whilst it is unfortunate that the technical hurdle was not met, it is usual within a product portfolio for some products to be discontinued along the way and, if to be discontinued, it is best to discontinue early, as is the case for Samson ™. In addition, there were many useful outcomes from the Samson™ project, including the development of a novel medium for the incubation of spermatozoa and of a highly efficient, novel sperm isolation device that is now being developed by the University of Newcastle (UoN) research team for use in the cattle breeding industry.

[5] Top five beef cattle AI markets only: Brazil, Europe, United States and Australia

For personal use only

Potential Product Extensions in Pipeline

MEM continues to develop its pipeline of products for commercialisation in collaboration with its research team at the UoN, headed by MEM's Research Director and acknowledged global leader in reproductive biotechnology, Distinguished Emeritus Professor John Aitken.

During the half year to December 2022, it furthered development of two potential products both of which are extensions of MEM's existing product range.

Pilot Andrology Service Business

SemPort is a device containing a novel, proprietary medium that stores and transports human semen at ambient temperature, without the harmful effects of freezing sperm. The original goal was for SemPort to preserve the semen sample for seven days without freezing.

In late 2022, MEM determined that, whilst it could not technically develop a device to maintain a semen sample intact for seven days without freezing, it could preserve the semen for at least four hours to enable an accurate semen analysis to be made.

MEM evaluated other potential applications for SemPort and began exploring the idea of deploying the ROSA, Felix™ and SemPort products within a novel andrology advisory business. The pilot program under consideration is a high level, tailored single point of reference advisory service not currently available on the market and is aimed at providing men with accurate and in-depth advice about their fertility.

ROSA (Equine)

MEM began investigating the application of ROSA to the animal sector, with initial focus on high value horses.

ROSA Equine would be a modification of the ROSA human product and would enable an accurate, easy to use, point-of-care, automated diagnostic device for thoroughbreds, and high value performance horses such as those used for harness racing, dressage, polo, eventing and show jumping.

Financial performance

The net loss for the half-year ended 31 December 2022 was $1,183,480 (2021: net loss of $937,865). The decrease on revenue was partially offset by the decrease on expenses. The most relevant items with variations from the prior period were as follows:

- Decrease on income due to not having in the current period the revenue of $650,000 had in the prior period due to the agreement reached with Hydrix for the settlement of the engineering flaw.

- Decreases on expenditure of:
  - ~$139,000 in salaries and employee entitlements, due to the combination of no cash bonuses paid and less entitlements accrued in the current period, and
  - ~$162,000 in finance costs, relates to the convertible notes maturity date extension to 31 December 2024 requiring remeasurement of the interest-bearing liability and derivatives component.

The mix of R&D expenditure relating to the projects in 'development phase' and capitalised to Intangible Assets remain similar to the prior period. Please refer to variances on table below:

Breakdown of R&D expenditure	31 December 2022 $	31 December 2021 $
Projects in "Development phase"		
Sperm separations human (Felix)	1,102,993	1,037,262
Sperm separations animal	-	4,454
Membranes	17,718	72,674
Total capitalised R&D expenditure	**1,120,711**	1,114,390
Projects in "Research phase"		
New Sperm Sep	3,658	-
New long-life sperm storage media (human & animal)	47,734	267,347
Embryocradle	4,204	-
Stallion dismount fertility diagnostic test (Samson)	158,887	213,586
Sperm oxidative stress diagnostic test (ROSA)	229,449	111,161
AI-Port	71,262	-
Total R&D expenditure released to P&L	515,194	592,094
Total R&D expenditure	**1,635,905**	1,706,484

At 31 December 2022, the Group had negative working capital of $1,236,741 (30 June 2022: net working capital $2,510,764), and a cash balance of $2,095,373 (30 June 2022: $269,077). The improvement in working capital is mainly due to the cash collected from the non-renounceable entitlement offer organised by the Company in August 2022.

During the period, the Group received from the Australian Taxation Office a R&D grant of $1,495,672 (2021: $1,359,513).

Overall, the Group had cash inflows from operating activities of $775,581 for the half-year ended 31 December 2022 (2021: $769,738) and cash outflows from investing activities of $1,902,722 (2021: $1,823,639).

The Group will continue to actively seek funding to continue its R&D program and to progress the commercialisation of the Felix device.

Outlook for 2023

The long-tail impact of the COVID pandemic and the emergence of geo-political tensions in Europe in mid-2022 will continue to influence the markets in the form of high inflation, increasing interest rates, labour shortages and supply chain issues over the next 12 months and most likely into the following financial year.

Despite the difficult business conditions, quality businesses will ultimately prosper. Core to their success will be their ability to demonstrate strong strategies to manage supply chain logistics, workforce planning, geopolitical risks and fiscal and monetary policy settings and currency fluctuations for import/export businesses or businesses with offshore exposures.

MEM is an emerging small-cap reproductive biotechnology company focussed on building shareholder value over the long-term. Its value proposition is underpinned by strong fundamentals. It has a pipeline of unique, potentially company-making products, product development backed by world-class research, unique product offerings with clear advantages over current industry practice in attractive, under-serviced markets, a clear commercialisation strategy for each product and a board and management with the requisite skills and experience to implement the strategy.

MEM is entering into one of the most exciting phases of its development. There is momentum building in line with the company's transformation from its research and development phase to accelerating its commercialisation phase. Many of the hard yards of the behind-the-scenes development and clinical trials are complete or coming to completion. With the reopening of markets, MEM is now fully focused on bringing to fruition the marketing and eventual sale of its products in Australia and offshore. It is actively engaging regulators and completing regulatory processes in key markets and focusing more intensely on the marketing and sales aspects of its business with the hiring of people with the right expertise in relevant new roles.

For personal use only

MEM's board is confident it has the right products, the right strategy and the right people to deliver on our commitment to build long-term value for our shareholders. On that note, the board would like to thank MEM's team for their ongoing commitment to the company. MEM's success can only be measured by the extraordinary efforts of its people and in particular Ms Coutts for her tireless dedication to the company and to realising MEM's goals.

MEM's board would also like to thank its shareholders for their continued support.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 22 of this report.

This report is signed in accordance with a resolution of the Board of Directors.

Alison Coutts
Executive Chairman

Sydney
24 February 2023

For personal use only

For personal use only

Memphasys Limited and its Controlled Entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

	Half-year 31 December 2022 $	Half-year 31 December 2021 $
Continuing operations		
Revenue and other income		
Revenue	**4,271**	**13,574**
Grant income	**224,109**	**277,561**
Interest income	**5,475**	**587**
Reimbursement of direct costs	**-**	**650,000**
Expenses		
Direct costs	**(2,137)**	**(8,687)**
Transport expenses	**-**	**(1,169)**
Employee benefits expenses	**(59,379)**	**(197,924)**
Research and development expenses	**(515,194)**	**(592,094)**
Depreciation and amortisation expenses	**(58,879)**	**(64,423)**
Finance cost expenses	**(179,137)**	**(341,314)**
Loss / (profit) on fair value of convertible note options	**18,000**	**(72,000)**
Marketing expenses	**(14,445)**	**(23,007)**
Director Expenses	**(114,197)**	**(72,975)**
Corporate consultant expenses	**(165,613)**	**(145,500)**
Other expenses	**(326,354)**	**(360,494)**
Loss before income tax expense from continuing operations	**(1,183,480)**	**(937,865)**
Income tax expense	**-**	**-**
Loss after income tax expense from continuing operations	**(1,183,480)**	**(937,865)**
Net loss for the year attributable to members of parent	**(1,183,480)**	**(937,865)**
Other comprehensive income / (expense)		
Items that will not be reclassified subsequently to profit or loss		
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	**(23,000)**	**(25,000)**
Total other comprehensive income / (expense) for the period	**(23,000)**	**(25,000)**
Total comprehensive loss for the period	**(1,206,480)**	**(962,865)**
Earnings per share (EPS)	**Dollar/share**	**Dollar/share**
– Basic loss per share	**(0.0013)**	**(0.0012)**
– Diluted loss per share	**(0.0013)**	**(0.0012)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

For personal use only

Memphasys Limited and its Controlled Entities

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	As at 31 December 2022 $	As at 30 June 2022 $
CURRENT ASSETS			
Cash and cash equivalents		**2,095,373**	269,077
Inventory		**50,383**	87,082
Other current assets		**898,821**	1,672,391
TOTAL CURRENT ASSETS		**3,044,577**	2,028,550
NON-CURRENT ASSETS			
Financial assets at fair value through OCI		**51,000**	74,000
Property, plant and equipment	4	**461,892**	501,408
Intangible assets	5	**10,311,975**	9,678,774
Right-of-use asset	6	**1,754,317**	1,838,397
TOTAL NON-CURRENT ASSETS		**12,579,184**	12,092,579
TOTAL ASSETS		**15,623,761**	14,121,129
CURRENT LIABILITIES			
Trade and other payables		**336,674**	559,713
Non-interest-bearing liabilities	7	**154,668**	154,668
Interest-bearing liabilities	8	**3,434,216**	3,405,998
Lease liabilities	6	**104,722**	98,727
Tax liabilities		**11,257**	33,762
Provisions		**239,781**	286,446
TOTAL CURRENT LIABILITIES		**4,281,318**	4,539,314
NON-CURRENT LIABILITIES			
Non-interest-bearing liabilities	7	**-**	77,330
Lease liabilities	6	**1,771,008**	1,825,418
Provisions		**33,998**	32,533
TOTAL NON-CURRENT LIABILITIES		**1,805,006**	1,935,281
TOTAL LIABILITIES		**6,086,324**	6,474,595
NET ASSETS		**9,537,437**	7,646,534
EQUITY			
Issued capital	9	**53,417,790**	50,340,937
Reserves		**73,739**	76,209
Accumulated losses		**(43,954,092)**	(42,770,612)
TOTAL EQUITY		**9,537,437**	7,646,534

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For personal use only

Memphasys Limited and its Controlled Entities

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

	Note	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022		**50,340,937**	**76,209**	**(42,770,612)**	**7,646,534**
Loss for the period		-	-	(1,183,480)	(1,183,480)
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		-	(23,000)	-	(23,000)
Total comprehensive loss for the period		**-**	**(23,000)**	**(1,183,480)**	**(1,206,480)**
Transactions with owners recorded directly in equity:					
Issue of share capital	9	3,360,418	-	-	3,360,418
Transaction costs on share issue	9	(283,565)	-	-	(283,565)
Issue of share options	10	-	20,530	-	20,530
Balance 31 December 2022		**53,417,790**	**73,739**	**(43,954,092)**	**9,537,437**

	Note	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021		**48,884,176**	**890,237**	**(41,167,423)**	**8,606,990**
Loss for the period		-	-	(937,865)	(937,865)
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		-	(25,000)	-	(25,000)
Total comprehensive loss for the period		**-**	**(25,000)**	**(937,865)**	**(962,865)**
Transactions with owners recorded directly in equity:					
Issue of share capital	9	1,075,828	-	-	1,075,828
Transaction costs on share issue	9	(30,529)	-	-	(30,529)
Issue of share options		-	81,185		81,185
Expired share options transferred to Equity	9/10	411,462	(411,462)	-	-
Expired share options transferred to Accumulated Losses	10	-	(478,775)	478,775	-
Balance 31 December 2021		**50,340,937**	**56,185**	**(41,626,513)**	**8,770,609**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

For personal use only

Memphasys Limited and its Controlled Entities

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

	Half-year 31 December 2022 $	Half-year 31 December 2021 $
Cash flows from operating activities		
Receipts from customers	**4,271**	-
Reimbursement of direct costs	**-**	125,000
Payments to suppliers and employees	**(736,747)**	(735,361)
Proceeds from government grants	**1,504,045**	1,379,512
Interest paid	**(1,463)**	-
Interest received	**5,475**	587
Net cash flows provided by operating activities	**775,581**	769,738
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(1,227)
Payment of cleanroom set up	**(77,334)**	(77,334)
Development expenditure	**(1,825,388)**	(1,745,078)
Net cash flows used in investing activities	**(1,902,722)**	(1,823,639)
Cash flows from financing activities		
Proceeds from issue of shares	**3,360,418**	1,075,828
Share issue costs	**(283,565)**	(30,529)
Repayments of related party loans	**(75,000)**	-
Repayments of lease liabilities	**(48,416)**	(43,224)
Net cash flows provided by financing activities	**2,953,437**	1,002,075
Net increase / (decrease) in cash and cash equivalents	**1,826,296**	(51,826)
Cash and cash equivalents at beginning of period	**269,077**	2,002,915
Cash and cash equivalents at end of the half-year	**2,095,373**	1,951,089

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

For personal use only

1. Reporting entity

Memphasys Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 30 Richmond Road, Homebush, NSW 2140, Australia. These consolidated interim financial statements as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity focused on reproductive biotechnology and proprietary cell separation technologies. It is developing novel medical devices, diagnostics, and media with application to assisted reproduction technologies in humans and animals.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 are available at www.memphasys.com.

2. Basis of preparation

a) Statement of compliance

The half-year consolidated financial statements are a general-purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Memphasys Limited and its controlled entities as at and for the half year ended 31 December 2022. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the half-year period.

These consolidated interim financial statements were authorised for issue by the Board of Directors on 24 February 2023.

b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

Whilst the Group remains focused on and committed to the commercialisation of the Felix device, the Group will continue commercially progressing the leading products from its reproductive biotechnology product portfolio being developed in conjunction with the UoN researchers. Many of these products have low regulatory hurdles, will be readily manufacturable and are likely to have a relatively quick path to market. To complete these activities, the Group will require additional funding.

The directors note further the following in relation to the financial affairs of the Group:

- The Group made a net loss of $1,183,480 for the half year ended 31 December 2022.
- For the half year ended 31 December 2022 the consolidated entity had net cash outflows from combined operating activities and investing activities of $1,127,141.
- At 31 December 2022, the Group had negative working capital of $1,236,741 and a cash balance of $2,095,373.
- At 31 December 2022 the Group had net assets of $9,537,437.

The Directors believe that the Group will continue as a going concern, and accordingly have prepared the financial statements on a going concern basis after considering the following:

For personal use only

- The Company plans to undertake a capital raising in the second half of FY23 to fund working and development capital.
- The Company expects to receive in September 2023 a tax refund of approximately $1,700,000 from the Australian Tax Office for eligible research and development activities carried out in the financial year ending 30 June 2023 under the research and development tax credit scheme.

On this basis, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unsuccessful with the initiatives detailed above then, there is a material uncertainty as to whether the Group may in the future be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

c) Rounding of Amounts

The entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements and directors' report have been rounded off where appropriate to the nearest $1, unless otherwise specified.

d) Principal accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the accounting policy in respect of investments and other financial assets, which were acquired as part of an arrangement with its supplier during the period. The accounting policy for this financial asset is set out below.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Under the fair value hierarchy, the fair value of the Financial Assets as Fair Value through OCI is Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

For personal use only

3. Judgement and estimates

In preparing these interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimating uncertainty, were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

4. Non-Current Assets - Property, Plant & Equipment

	31 December 2022	**30 June 2022**
	$	**$**
Carrying amount at the beginning of the period	501,408	594,237
Depreciation	(39,516)	(92,829)
Carrying amount at the end of the period	**461,892**	**501,408**

5. Non-Current Assets – Intangible Assets

	31 December 2022	**30 June 2022**
	$	$
Carrying amount at the beginning of the period	9,678,774	8,291,264
Internally developed expenditure	1,120,711	2,422,490
ATO Tax Incentive	(487,510)	(1,034,980)
Carrying amount at the end of the period	**10,311,975**	**9,678,774**

6. Right-of-Use Asset and Lease liability

	31 December 2022	**30 June 2022**
	$	**$**
Non-current assets – right-of-use assets		
Properties under lease agreements		
Homebush - Office		
At cost	1,637,763	1,637,763
Accumulated depreciation	(216,094)	(147,853)
	1,421,669	1,489,910
Moorebank - Cleanroom		
At cost	**380,167**	380,167
Accumulated depreciation	**(47,519)**	(31,680)
	332,648	348,487
Total carrying amount of lease assets	**1,754,317**	1,838,397
Lease liabilities - current		
Property lease liabilities – Homebush	**84,419**	79,416
Property lease liabilities - Moorebank	**20,303**	19,311
Total current lease liabilities	**104,722**	98,727
Lease liabilities – non-current		
Property lease liabilities – Homebush	**1,438,848**	1,482,755
Property lease liabilities - Moorebank	**332,160**	342,663
Total non-current lease liabilities	**1,771,008**	1,825,418
Net carrying value of lease liabilities	**1,875,730**	1,924,145

For personal use only

7. Non-interest-bearing Liabilities

	31 December 2022	30 June 2022
	$	$
Current:		
Third-party debt – unsecured *	**154,668**	154,668
Total current non-interest-bearing liabilities	**154,668**	154,668
Non-current:		
Third-party debt – unsecured **	**-**	77,330
Total non-current non-interest-bearing liabilities	**-**	77,330

* Current portion of debt for building the cleanroom facility in the premises of W&S. The original debt, which totalled $464,000 including the non-current portion, was arranged to be paid for through a decelerating amortisation schedule and included in the price of the first 100,000 cartridges purchased by Memphasys from W&S. In March 2021, Memphasys rearranged with W&S for the debt to be paid for in three years, in quarterly instalments of $38,667. A revised contract is to be signed with W&S, incorporating the abovementioned payment arrangement and other items, unknown at the time of signing the original contract, like the following:

- extra costs to manufacture in the cleanroom (mainly increased labour, mostly used to keep the cleanroom and equipment sterile),
- rental payments for Memphasys to have exclusive rights to use the cleanroom, and
- the option to continue the agreement post 36 months and a separation clause (not in current agreement).

** Non-current portion of debt for building the cleanroom facility in the premises of W&S.

For personal use only

8. Interest-bearing liabilities

	31 December 2022	30 June 2022
	$	$
Current:		
Convertible note unsecured - Third-party debt	**3,389,666**	3,287,798
Convertible note unsecured - Related party liability	**44,550**	43,200
Alison Coutts	**-**	21,000
Alison Coutts Consulting Pty Ltd	**-**	54,000
Total current interest-bearing liabilities	**3,434,216**	3,405,998

	31 December 2022	30 June 2022
	$	$
Current:		
Convertible notes held by Peters Investments Pty Ltd at:		
Amortised cost	**3,335,216**	3,213,998
Fair value through profit and loss	**54,450**	73,800
	3,389,666	3,287,798
Convertible notes held by Andrew Goodall at:		
Fair value through profit and loss	**44,550**	43,200
	44,550	43,200
Director loans:		
Alison Coutts	**-**	21,000
Alison Coutts Consulting Pty Ltd	**-**	54,000
	-	75,000
Total current interest-bearing liabilities	**3,434,216**	3,405,998

9. Share capital

a) Share capital

	Dec 2022 Shares	Jun 2022 Shares	Dec 2022 $	Jun 2022 $
Ordinary Shares – fully paid	**959,520,382**	792,178,337	**53,417,790**	50,340,937

b) Movements in ordinary share capital of the company during the half-year were as follows:

	Dec 2022 Shares	Jun 2022 Shares	Dec 2022 $	Jun 2022 $
Balance at beginning of half-year	**792,178,337**	759,773,880	**50,340,937**	48,884,176
Share issue under share placement	**80,000,000**	-	**1,600,000**	-
Share issue under non-renounceable entitlement offer	**88,020,892**	-	**1,760,418**	-
Exercise of options	**-**	32,404,457	**-**	1,075,828
Selective reduction of capital	**(678,847)**	-	**-**	-
Transfer of expired options reserves	**-**	-	**-**	411,462
	959,520,382	792,178,337	**53,701,355**	50,371,466
Less issue costs	**-**	-	**(283,565)**	(30,529)
Balance at end of half-year	**959,520,382**	792,178,337	**53,417,790**	50,340,937

For personal use only

10. Share options

Movements in share options of the company during the half-year were as follows:

	Dec 2022 Options	Jun 2022 Options	**Dec 2022 $**	Jun 2022 $
Balance at beginning of half-year	**12,940,800**	57,460,333	**152,209**	890,237
Options issued	**2,500,000**	12,940,800	**20,530**	152,209
Transfer of expired options to Equity	**-**	(38,204,458)	**-**	(411,462)
Transfer of expired options to Accumulated Losses	**-**	(19,255,875)	**-**	(478,775)
Balance at end of half-year	**15,440,800**	12,940,800	**172,739**	152,209

11. Related Party Transactions

Transactions with key management personnel (KMP)

KMP received total compensation of $418,500 for the six months ended 31 December 2022 (six months ended 31 December 2021: $347,526).

12. Segment Reporting

Although the company has started commercialising Felix, the operating results of this business have not been significant so far and therefore not being regularly reviewed by the entity management yet. As a result, the entity still only has one segment being Research and Development.

13. Fair Value

The carrying amounts of cash and cash equivalents, other current assets, trade and other payables and current borrowings are assumed to approximate their fair values due to their short-term nature.

14. Events Subsequent to Reporting Date

No events occurred subsequent to 31 December 2022 and up to the date of signing these financial statements.

Directors' Declaration

In the opinion of the directors of Memphasys Limited ("the Company"):

1. The consolidated financial statements and notes, as set out on pages 11 to 20 are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

   b) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Alison Coutts
Executive Chairman

Sydney
24 February 2023

For personal use only

For personal use only

PITCHER PARTNERS

Pitcher Partners Sydney Partnership

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

MEMPHASYS LIMITED AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MEMPHASYS LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of no contraventions of any applicable code of professional conduct.

This declaration is in respect of Memphasys Limited and the entities it controlled during the period.

Rod Shanley
Partner

Pitcher Partners
Sydney

24 February 2023

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

bakertilly
NETWORK MEMBER

pitcher.com.au

For personal use only

PITCHER PARTNERS

Pitcher Partners Sydney Partnership

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

MEMPHASYS LIMITED AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MEMPHASYS LIMITED

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the half-year financial report of Memphasys Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Memphasys Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) Going Concern where the directors have stated that the Group is dependent on the raising of additional funds for working capital and to continue to develop and commercialise the technology.

These events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.

Pitcher Partners is an association of independent firms.
Pitcher Partners Sydney Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

bakertilly NETWORK MEMBER

pitcher.com.au

PITCHER PARTNERS

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Responsibility of the Directors for the Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Rod Shanley
Partner

Pitcher Partners
Sydney

24 February 2023

For personal use only

Pitcher Partners is an association of independent firms.
ABN 17 795 780 962.
Pitcher Partners Sydney Partnership.

For personal use only

Corporate Directory

Memphasys Limited
ABN 33 120 047 556

Directors

Mr Robert Cooke	Independent Non-Executive Chairman
Ms Alison Coutts	Managing Director and CEO
Andrew Goodall	Non-Executive Director
Paul Wright	Independent Non-Executive Director

Company Secretary
Andrew Metcalfe
Accosec Pty Ltd
Level 26, 360 Collins Street
Melbourne, VIC 3000

Share Registry
Boardroom Pty Limited
Level 8, 210 George Street
Sydney, NSW 2000

Registered Office
30 Richmond Road
Homebush, NSW 2140
Australia

Tel: +61 2 8415 7300
Email: info@memphasys.com
Website: www.memphasys.com

Solicitors
Steinepreis Paganin Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth, WA 6000

Auditors
Pitcher Partners Sydney
Level 16, Tower 2, 201 Sussex Street
Sydney, NSW 2000