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**Memphasys Limited  
and its Controlled Entities  
ABN 33 120 047 556**

**Annual Financial Report  
for the year ended 30 June 2019**

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## Memphasys Limited and its Controlled Entities

### Directors' Report

The Directors present their report, together with the consolidated financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2019 and the audit report thereon.

#### Directors

The names of the Directors of Memphasys Limited in office at any time during or since the end of the financial year are:

|                   |   |
|-------------------|---|
| Ms Alison Coutts  | Executive Chairman                              |
| Mr Andrew Goodall | Non-Executive Director                          |
| Mr Marjan Mikel   | Non-Executive Director                          |
| Mr Shane Hartwig  | Non-Executive Director (Appointed 31 July 2019) |

#### Company Secretary

The Company Secretary services are managed by Mr Andrew Metcalfe, an experienced independent company secretary and business consultant. Mr Metcalfe was appointed on the 29 November 2016 and is well qualified for the position having been a company secretary and governance advisor to ASX listed companies for over 20 years.

| <b>Names, Qualifications, Experiences, Special Responsibilities and Shareholdings</b>   | <b>Shares interests &amp; unlisted options at the reporting date</b>  |
|---|---|
| <p><b>Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech</b><br/>Executive Chairman and member of the Audit and Risk and the Nomination and Remuneration Committees.</p> <p>Ms Alison Coutts has extensive experience across a number of industry sectors and disciplines. This includes international engineering project management, strategy consulting, executive search, investment banking and technology commercialisation.</p> <p>Prior to her role at Memphasys, Ms Coutts co-founded a corporate finance advisory business and subsequently co-founded a clinical development stage drug development company focussing on chronic obstructive pulmonary disease and a medical device company Micro-X Ltd (ASX: MX1) that is developing innovative, lightweight mobile X-Ray machines for medical use.</p> <p>Ms Alison Coutts has a Chemical Engineering degree and a Graduate Diploma in Biotechnology from the University of Melbourne and an MBA from Melbourne Business School.</p> | <p><b>Direct</b><br/>78,726,377<br/>ordinary shares<br/>Nil unlisted options</p> <p><b>Indirect</b><br/>898,761<br/>ordinary shares<br/>Nil unlisted options</p>  |
| <p><b>Andrew Goodall</b><br/>Non-Executive Director and member of the Audit and Risk and Nomination and Remuneration Committees.</p> <p>Mr Goodall, a significant shareholder in Memphasys, is an entrepreneur who now runs a private business involved in Commercial Property in New Zealand.</p>  | <p><b>Direct</b><br/>133,649,743<br/>ordinary shares<br/>Nil unlisted options</p> <p><b>Indirect</b><br/>692,240<br/>ordinary shares<br/>Nil unlisted options</p> |

## Directors' Report

| Names, Qualifications, Experiences, Special Responsibilities and Shareholding  | Shares interests & listed options at the reporting date   |
|--|---|
| <p><b>Mr Marjan Mikel M Com, BSc (Hons), Dip Ed, MAICD</b><br/> <b>Non-Executive Director</b> and Chairman of the Nomination and Remuneration Committee and Audit and Risk Committee from 6 June 2018.</p> <p>Mr Mikel has had extensive experience in the pharmaceutical and medical device industries. He has worked in international sales, business development and at general manager and executive board level for Merck and Co and Searle – Pharmacia. He has also worked internationally, ultimately as an executive Board member for IMS Consulting and Services Japan, AsiaPac and ANZ, developing product and portfolio strategies for pharmaceutical and healthcare client companies.</p> <p>He founded and subsequently sold Healthy Sleep Solutions after developing it into a successful business, with Resmed Ltd as a joint venture/shareholder partner. He is also a non-executive director of a number of small companies predominantly involved in developing medical devices and diagnostics.</p> | <p><b>Direct</b><br/> 3,975,000<br/> ordinary shares<br/> Nil unlisted options</p> <p><b>Indirect</b><br/> 4,500,000<br/> ordinary shares<br/> Nil unlisted options</p> |

## Meetings of Directors

The following table sets out the numbers of meetings of the company's Board of Directors and meetings of each Board committee held during the year ended 30 June 2019 and the number of meetings attended by each Director.

| Director/Alternate Director | Board Meetings |       | Audit & Risk Committee Meetings |       | Nomination and Remuneration Committee Meetings |       |
|-----------------------------|----------------|-------|---------------------------------|-------|--|-------|
|                             | Attended       | Held* | Attended                        | Held* | Attended                                       | Held* |
| Alison Coutts               | 4              | 4     | 3                               | 3     | 2  | 2     |
| Andrew Ernest Goodall       | 4              | 4     | 3                               | 3     | 2  | 2     |
| Marjan Mikel                | 4              | 4     | 3                               | 3     | 2  | 2     |

\* Represents number of meetings held whilst director was in office during the year

## 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.

## Memphasys Limited and its Controlled Entities

### Directors' Report

#### CORPORATE INFORMATION

##### Corporate Structure

Memphasys Limited is a company limited by shares, incorporated and domiciled in Australia with its registered office at 30 Richmond Road, Homebush, NSW 2140. It has prepared a consolidated financial report incorporating the entities it controlled during the financial year. Refer to Note 24 of the financial statements for a list of entities it controlled during the financial year.

##### Dividends

No dividends were paid during the year and no dividend is recommended.

##### PRINCIPAL ACTIVITIES

Memphasys has patented technology combining electrophoretic separations with size exclusion-based membranes using patented hydrogels and other polymer membranes. Memphasys is using this technology for high value cell separations.

The first and major commercial opportunity for the Company is the selection of very high-quality sperm cells from semen for human IVF treatments. The technology has also been proven to work in various domestic animal sperm separations, notably in horses and cattle and in addition it has demonstrated an ability to separate various cell populations and subtypes of these populations from blood.

For the primary application, human artificial reproductive technologies ("ART"), Memphasys has developed a unique device, "Felix", to address male factor infertility. The Felix device is positioned to be used in IVF clinics globally and is close to commercialisation. The key basis of the separation is the high net negative charge on the surface of the best sperm cells, which indicates a well formed cyto-skeleton, which in turn indicates intact DNA in the cell nucleus. The cells are also separated on the basis of their size, with unwanted debris including white blood cells left behind, as they are unable to get through the size exclusion membrane.

Memphasys is developing the Felix device with its engineering development partner, Melbourne-based Hydrix, and with the inventor of the sperm separation technology, Professor John Aitken and his research team at the University of Newcastle. In addition, Memphasys has an ongoing collaborative agreement with Monash IVF Group. Monash IVF Group personnel, led by Professor Michelle Lane, are providing crucial clinical testing and technical, clinical and regulatory advice to assist Memphasys in bringing the product to market. For its initial work with Memphasys, in April 2019, Monash IVF Group was issued 4 million ordinary Memphasys shares, priced at 2 cents per share.

The collaborations with both Professor John Aitken's team at University of Newcastle and with Professor Michelle Lane at Monash IVF Group are ongoing.

##### REVIEW OF OPERATIONS

###### *The Felix Device for Human Assisted Reproductive Technologies ("ART")*

Over the twelve months to June 30, 2019, the main focus of the Company has been the commercial development of the Felix device for use in the human IVF market.

The Felix device gently and efficiently separates sperm in around 5 minutes in a simple, single, automated process. This is a marked improvement on the current sperm preparation and separation processes, density gradient centrifuge ("DGC") and/or "swim up" that are currently used in IVF clinics. These processes have been used since the advent of IVF some 40 years ago. Both techniques are laborious, variable depending on the operator (not automated), take up 30 to 40 minutes and they do not necessarily select the most viable sperm with least DNA damage and fertilising potential. In addition, these processes can create oxidative damage to the sperm and/or damage the sperm's DNA.

## Directors' Report

### Depiction of final Felix console and single use, disposable cartridge



### Felix Product Development

Over the year, Memphasys carried out extensive work on refining the design and operating performance of the single use cartridge – the most complex part of the device - in preparation for making Felix a commercial product for routine human clinical use in IVF clinics globally.

Feedback from Monash IVF, a subject matter expert in the IVF sector, highlighted a number of design characteristics that could be implemented to facilitate a simpler user process and improved user experience, including reducing the 1.8 ml volume to the usual 1 ml clinical sample volume and allowing the use of a single rather than dual pipetting method to be used to load the cartridge. These two suggestions, now incorporated, necessitated changes to the cartridge chamber geometry and the development of a dry hydrogel membrane for use within the cartridge.

### Felix Production

Memphasys completed the Felix requirements specification and built the first Felix machined single use cartridge prototypes to this specification and then extensively tested the prototypes at the University of Newcastle and Monash IVF.

Initial hand-assembled manufacturing runs of the Felix device took place in 2019 in preparation for the Key Opinion Leader (“KOL”) study and clinical validation. Memphasys has now chosen the product suppliers for all Felix components for the final product.

The major manufacturer appointed is W&S Plastics (“W&S”), with other suppliers also selected for other components. W&S will manufacture the plastic components and other parts of the cartridges, assemble, pack and label the cartridges, then send cartridges for external gamma sterilisation. W&S provided an improved design to support an improved manufacturing process with an over-mould instead of using silicon gaskets to seal the cartridge chambers. This results in fewer components, a product that is easier to assemble, decreased manufacturing costs and increased automation to enable larger runs. The design of the separation membrane has been improved, resulting in a more efficient process and less wastage. The electrodes were also modified to enable the use of a far cheaper carbon printed film on a plastic substrate, replacing the expensive platinum coated titanium electrodes that were used in the original prototype.

The initial hydrogel membranes for the KOL study are being manufactured at Memphasys but will be transferred later to W&S for production.

### Regulatory Strategy and Submissions

Memphasys updated its regulatory strategy, in conjunction with specialist consultants.

The Company also implemented a quality management system (“QMS”) and an online software system, Greenlight Guru, in preparation for achieving an ISO 13485 certification.

## **Directors' Report**

### **Marketing and Key Opinion Leader assessment program**

In order for the Felix device to receive market support, testing and endorsement of KOLs will be vitally important. To this end, Memphasys has recruited 13 KOLs situated in key markets around the world to participate in in-vitro assessment of Felix.

Memphasys developed clinical assessment protocols in conjunction with Prof. John Aitken to evaluate Felix device's performance against the two current processes of preparing sperm for IVF procedures, DGC and Swim Up.

### **Animal ART work**

Memphasys continued to research the use of its prototype benchtop reusable device for the separation of both fresh bull and stallion sperm from semen. The device can handle semen from different species through the use of different buffers, membranes and operating conditions. Various electrical parameters, buffers and membranes were used to determine optimum conditions for separations. The current device was proven to work to separate high quality sperm, for both species, but only at small scale. It would be adequate for IVF procedures but not artificial insemination ("AI"), which requires much larger sperm quantity and ability to handle larger volumes of ejaculate.

### **Next Gen Research**

During the period research was conducted into using the electrophoretic process and membrane technology for separating other high value cells, apart from sperm cells, for the biomedical sector. The performance of cells, for example T-cells from blood during the separation process, were investigated with promising results.

A multichannel flat-bed electrophoresis device was designed to better understand the electrophoretic process, the behaviour of individual cells and improvement of their separation. This work is continuing to further enhance the potential of Memphasys' separation techniques.

### **Intellectual Property**

Memphasys has registered a number of new patents pertaining to the electrophoretic process and device component configuration. Memphasys has also registered the use of the Felix name for its sperm separation device.

### **Outlook for 2020**

The major focus in 2020 for Memphasys will be:

- Preparing Felix for commercial human IVF treatments
- Improving Felix performance in a next generation device, both for human and animal ART use.

### **Felix for Human IVF Treatments**

Over the coming months, Memphasys will prepare for pre-submission meetings with regulatory bodies in key jurisdictions. Memphasys will also continue to monitor and evaluate regulatory environment changes, including the new Medical Device Regulations ("MDR") which will come into effect in the EU in May 2020, and Memphasys will update its plans where necessary.

The build of cartridges for KOL assessment will be transferred to W&S, who will also manufacture additional cartridges for clinical testing and ultimately for commercial marketing.

Memphasys will also be focusing on maintaining and updating the QMS system and will prepare for final ISO 13485 certification, which will assist with regulatory submissions in a number of target markets. The QMS system also enables Memphasys to handle any issues from KOL feedback, to report external clinical evaluation of the Felix device and to document remedial action taken.

Memphasys personnel have ongoing communications with the KOLs and are preparing them to participate in a Felix clinical assessment. KOL studies are anticipated to commence in late September 2019. The outcomes of the international KOL studies are important to Memphasys as they will provide further evidence as to the technical capabilities and clinical benefits of the Felix device, provide significant user examples of range of use and further define the commercialisation strategy of the Company.

## **Directors' Report**

### **Next Generation Device for both human and animal ART use**

Memphasys intends to investigate next generation Felix designs that will address unforeseeable issues or restrictions that arise from the KOL study and clinical evaluations. The next generation device will also focus on a design that removes the reliance on the very fine pipette tips used currently for handling the semen sample. Memphasys also aims to provide more efficient separations and higher yields, enabling us to do more intrauterine insertion ("IUI") in humans, with semen samples that would not currently provide sufficient yield for IUI, and artificial insemination ("AI") in animals.

Most focus will remain on Felix and for improvement in the current human first generation device, but there will also be an extension into larger animals, starting with the horse. Memphasys plans to engage with external research collaborators who possess extensive experience in animal reproduction, to scale up the current device and tackle any species-specific issues. Given that the device already works to separate good quality sperm from both stallion and bull ejaculates it has high potential for fractionating high quality sperm from other species' semen that have similar reproduction, semen and sperm characteristics to horses and cows.

### **Financial Performance**

The private placement of shares to Peters Investments Pty Ltd and the R&D tax refund funded Memphasys' operations in the first 4.5 months of the financial year. From that point and until the end of March 2019, when the amount of \$3.45m was received from the non-renounceable rights issue, the Company was funded with various loans received from Andrew Goodall, adding up to the amount of \$1.18m. All of these loans have been either converted to equity in the non-renounceable shares issue in March 2019 or will be converted to equity in the share placement in September 2019. As a result, the Company has reduced its debt to its lowest ever point, keeping a strong financial position which enables the Company to continue to develop its first commercial product, the Felix device for human IVF processes.

Memphasys completed 15:1 share consolidation on 18 August 2018.

Memphasys finalised the financial year with working capital of \$1,420,952 (2018: \$37,879) and with net assets of \$6,071,441 (2018: \$3,351,580).

Capitalised expenditure on the two projects in the development stage, as allowed by accounting standards, was as follows:

- Felix, which received an investment of \$1,944,900 (2018: \$1,080,943); and
- New membranes for the Felix device, which received an investment of \$396,764 (2018: \$225,498).

Memphasys incurred a \$1,044,578 loss from continuing operations (2018: loss of \$401,159). The main reason for the increase in the loss in 2019 was that in 2018 there was the abnormal gain of \$896,232 from the settlement of debt with PRIME Biologics Private Limited. This was partially offset by finance costs decreasing by 83% from \$276,988 to \$47,334 and the General & Administration expenses reducing by 10%.

The tax refund on R&D activities granted by the Federal Government ("Tax Incentive") continues to be the Company's sole source of regular revenue. A R&D tax refund of \$1,103,264 has been approved by AusIndustry for R&D expenditure incurred in the current financial year.

### **Board and management**

Memphasys appointed Nick Gorrington as Operations Manager on 15 April 2019.

There was no change in the Board of Directors during the financial year. However, post reporting date, Shane Hartwig joined the board in July 2019.



**Directors' Report**

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

The following events occurred subsequent to end of the financial year:

- On 12 July 2019 the Company received the first tranche of the placement of shares organised by its corporate finance advisors, Patersons Securities Limited, for the amount of \$1,516,533 net of brokerage fees. The second tranche of this placement, for an amount of \$2,138,490 net of brokerage fees and net of debt of \$293,038 to be converted to equity by Andrew Goodall, is estimated to be received at the end of September 2019.
- On 29 July 2019 the Company lodged the R&D tax claim for an amount of \$1,103,264 which was approved by AusIndustry on 2 August 2019 and is expected to be received from the ATO in September 2019.

**SHARE OPTIONS**

There were 59,702,591 unlisted options on issue to shareholders at 30 June 2019.

## Memphasys Limited and its Controlled Entities

### Directors' Report

Set out in the table below are summaries of options issued, exercised and lapsed during the year.

| Grant date                                    | Expiry date       | Vesting commencement date | Exercise price * | Balance at start of year | Issued during the year | Exercised during the year | Lapsed / cancelled during the year | Balance at end of the year |
|---|-------------------|---------------------------|------------------|--------------------------|------------------------|---------------------------|------------------------------------|----------------------------|
| <b>Consolidated and parent entity – 2019:</b> |                   |                           |                  |                          |                        |                           |                                    |                            |
| 30 November 2016                              | 25 November 2019  | -                         | \$0.3000         | 266,667                  | -                      | -                         | -                                  | 266,667                    |
| 4 April 2017                                  | 31 December 2018  | -                         | \$0.0900         | 333,333                  | -                      | -                         | 333,333                            | -                          |
| 29 December 2017                              | 28 December 2019  | -                         | \$0.0300         | 14,731,467               | -                      | 166,667                   | -                                  | 14,564,800                 |
| 6 September 2018                              | 30 November 2019  | -                         | \$0.0300         | -                        | 6,666,667              | -                         | -                                  | 6,666,667                  |
| 28 March 2019                                 | 28 September 2021 | -                         | \$0.0332         | -                        | 20,000,000             | -                         | -                                  | 20,000,000                 |
| 28 March 2019                                 | 28 September 2021 | -                         | \$0.0332         | -                        | 18,204,457             | -                         | -                                  | 18,204,457                 |
| <hr/>   |                   |                           |                  |                          |                        |                           |                                    |                            |
| Total   |                   | -                         |                  | 15,331,467               | 44,871,124             | 166,667                   | 333,333                            | 59,702,591                 |

\* The exercise price has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

There are no options held by related parties.

No options have been issued or exercised post balance date.

The option holders have no rights under the option agreement to participate in any share issue.

## **Directors' Report**

### **ENVIRONMENTAL ISSUES**

The Group has assessed whether there are any particular or significant environmental regulations that apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the year.

### **INDEMNIFYING OFFICERS**

During the financial year, the company paid an insurance premium of \$38,550 to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred by such an officer.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 16 as part of this Directors Report.

### **NON-AUDIT SERVICES**

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2019.

## Memphasys Limited and its Controlled Entities

### Directors' Report

#### REMUNERATION REPORT – AUDITED

Outlined below are the guiding principles used by Memphasys Limited to set the remuneration of the organisation.

##### ***Principles used to determine the nature and amount of remuneration***

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for Memphasys' size and type of business. The Nomination and Remuneration Committee evaluates the executive directors and the CEO/Executive Chairman reviews the senior executive team. In general, the Board and specifically the Nomination and Remuneration Committee ensure that executive reward satisfies the following key criteria for good employee and non-executive director reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The individual performance element of the remuneration policy for senior executives and professional staff is based on performance against KPIs set for the year under review. An individual's KPIs will be agreed at the commencement of employment and reviewed and updated annually thereafter to ensure alignment with the current goals and objectives of the company.

A percentage component of the total remuneration package is based on the company's performance and the market position of Memphasys Limited. The remuneration packages are flexible to allow adjustment depending on company and market circumstances as determined by the Nomination and Remuneration Committee and approved by the Board.

New employment contracts of all personnel commenced on 1 July 2016 following a review which included the re-drafting of all job descriptions and key performance indicators which were developed to reward key staff for delivering on the reformulated strategic needs of the business, especially on development and commercialisation of core intellectual property.

A revised ESOP program for all key employees was approved at the AGM in November 2017 and is being implemented.

##### ***Employment contracts***

The contract of the Executive Chairman, Alison Coutts has no duration and stipulates that either party may terminate the employment by providing the other with six months' written notice. The Company may terminate the employment without any period of notice or payment in lieu of notice if the executive engages in serious misconduct.

##### ***Non-Executive Directors***

The Board has set its remuneration of Non-Executive Directors in line with market-based remuneration in small listed biotechnology companies. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on responsibility of the role and are also in line with the remuneration of Chairmen of small listed biotechnology companies. The Chairman is not present at any discussions relating to determination of remuneration. Subject to shareholder approval, Non-Executive Directors may opt each year to receive a percentage of their remuneration in Memphasys Limited shares and/or options.

##### ***Directors' Fee Pool***

The current maximum non-executive Directors fee pool limit is \$450,000 per year.

##### ***Executive Remuneration***

Executive remuneration includes:

- Base remuneration;
- Bonus remuneration for outstanding performance; and
- Other remuneration such as superannuation.

As the entity is in development stage, there is no relationship between performance and KMP remuneration at this point in time.

# Memphasys Limited and its Controlled Entities

## Directors' Report

### REMUNERATION REPORT – AUDITED (continued)

#### Base Remuneration

Structured as a total employment cost package that may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

#### Details of Remuneration

Details of the nature and amount of each element of the emoluments of each Director of Memphasys Limited and specified executives of the Company and the consolidated entity with the highest authority levels for the year ended 30 June 2019 are set out in the following tables which break out directors and executive remuneration separately.

#### Directors of Memphasys Limited

|                | Cash salary and fees | STI cash bonus | Proportion of remuneration performance related | Non-monetary benefits and allowances | Movement in leave provisions | Post-employment Superannuation @ | Value of options | Value of options as proportion of remuneration | Total          |
|----------------|----------------------|----------------|--|--------------------------------------|------------------------------|----------------------------------|------------------|--|----------------|
| 2019           | \$                   | \$             | %  | \$                                   | \$                           | \$                               | \$               | %  | \$             |
| Alison Coutts  | 277,500              | -              | -  | -                                    | 1,419                        | 20,531                           | -                | -  | 299,450        |
| Andrew Goodall | 50,000               | -              | -  | -                                    | -                            | -                                | -                | -  | 50,000         |
| Marjan Mikel   | 50,000               | -              | -  | -                                    | -                            | -                                | -                | -  | 50,000         |
| <b>Total</b>   | <b>377,500</b>       | <b>-</b>       | <b>-</b>                                       | <b>-</b>                             | <b>1,419</b>                 | <b>20,531</b>                    | <b>-</b>         | <b>-</b>                                       | <b>399,450</b> |

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Director in the 30 June 2019 financial year.

Shane Hartwig has been appointed as a non-executive director on 31 July 2019 with the same salary as other non-executive directors.

|                | Cash salary and fees | STI cash bonus | Proportion of remuneration performance related | Non-monetary benefits and allowances | Movement in leave provisions | Post-employment Superannuation @ | Value of options | Value of options as proportion of remuneration | Total          |
|----------------|----------------------|----------------|--|--------------------------------------|------------------------------|----------------------------------|------------------|--|----------------|
| 2018           | \$                   | \$             | %  | \$                                   | \$                           | \$                               | \$               | %  | \$             |
| Alison Coutts  | 277,500              | -              | -  | -                                    | (9,217)                      | 20,049                           | -                | -  | 288,332        |
| Andrew Goodall | 50,000               | -              | -  | -                                    | -                            | -                                | -                | -  | 50,000         |
| John Pereira # | 46,667               | -              | -  | -                                    | -                            | -                                | -                | -  | 46,667         |
| Marjan Mikel * | 3,288                | -              | -  | -                                    | -                            | -                                | -                | -  | 3,288          |
| <b>Total</b>   | <b>377,455</b>       | <b>-</b>       | <b>-</b>                                       | <b>-</b>                             | <b>(9,217)</b>               | <b>20,049</b>                    | <b>-</b>         | <b>-</b>                                       | <b>388,287</b> |

# Resigned during the year.

\* Appointed during the year.

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Director in the 30 June 2018 financial year.

## Directors' Report

## REMUNERATION REPORT – AUDITED (continued)

**Senior Executive Employment Agreements**

The present contracts for senior executives include employment terms, remuneration and termination payments. Under the general terms of the current executive contracts:

- Have no duration.
- Either party may terminate the contract by providing the other, depending on the executive, between 8 weeks and three months' written notice.
- Employee's employment automatically continues on the terms stipulated in the contract.

**Executives of Memphasys Limited and Subsidiaries**

|                   | Cash salary and fees | Termination payments | STI cash bonus | Non-monetary benefits and allowances | Movement in leave provisions | Post-employment Superannuation @ | Value of options | value of options as proportion of remuneration | Total          |
|-------------------|----------------------|----------------------|----------------|--------------------------------------|------------------------------|----------------------------------|------------------|--|----------------|
| 2019              | \$                   | \$                   | \$             | \$                                   | \$                           | \$                               | \$               | %  | \$             |
| Nick Gorrington * | 22,917               | -                    | -              | -                                    | 1,958                        | 2,177                            | -                | -  | 27,052         |
| Pablo Neyertz     | 121,000              | -                    | -              | -                                    | 2,806                        | 11,495                           | -                | -  | 135,301        |
| <b>Total</b>      | <b>143,917</b>       | <b>-</b>             | <b>-</b>       | <b>-</b>                             | <b>4,764</b>                 | <b>13,672</b>                    | <b>-</b>         | <b>-</b>                                       | <b>162,353</b> |

\* Commenced on 15 April 2019.

@ There have been no post-employment retirement benefits, except for superannuation, paid to any Executive in the 30 June 2019 financial year.

|               | Cash salary and fees | Termination payments | STI cash bonus | Non-monetary benefits and allowances | Movement in leave provisions | Post-employment Superannuation @ | Value of options | value of options as proportion of remuneration | Total          |
|---------------|----------------------|----------------------|----------------|--------------------------------------|------------------------------|----------------------------------|------------------|--|----------------|
| 2018          | \$                   | \$                   | \$             | \$                                   | \$                           | \$                               | \$               | %  | \$             |
| Pablo Neyertz | 121,000              | -                    | -              | -                                    | 2,799                        | 12,801                           | -                | -  | 136,600        |
| <b>Total</b>  | <b>121,000</b>       | <b>-</b>             | <b>-</b>       | <b>-</b>                             | <b>2,799</b>                 | <b>12,801</b>                    | <b>-</b>         | <b>-</b>                                       | <b>136,600</b> |

@ There have been no post-employment retirement benefits, except for superannuation, paid to any Executive in the 30 June 2018 financial year.

**Share options granted to Directors**

There were no share options issued to directors during the financial year ended 30 June 2019.

**Share options granted to Executives**

There were no share options issued to executives during the financial year ended 30 June 2019.

# Memphasys Limited and its Controlled Entities

## Directors' Report

### REMUNERATION REPORT – AUDITED (continued)

#### Directors & their shareholding

| Directors & their shareholding | Balance as at<br>1 July 2018 | Net movement      | Balance as at<br>30 June 2019 |
|--------------------------------|------------------------------|-------------------|-------------------------------|
| Alison Coutts (a)              | 58,992,217                   | 20,632,921        | 79,625,138                    |
| Andrew Goodall (b)             | 88,230,093                   | 46,111,890        | 134,341,983                   |
| Marjan Mikel (c)               | 1,000,000                    | 7,475,000         | 8,475,000                     |
| <b>Total</b>                   | <b>148,222,310</b>           | <b>74,219,811</b> | <b>222,442,121</b>            |

The number of shares has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

- (a) Alison Coutts' shareholding comprises 78,726,377 shares held directly and 898,761 held indirectly.  
(b) Andrew Goodall's shareholding comprises 133,649,743 shares held directly, and 692,240 shares held indirectly.  
(c) Marjan Mikel's shareholding comprises 3,975,000 shares held directly and 4,500,000 held indirectly.

| Directors & their shareholding | Balance as at<br>1 July 2017 | Net<br>movement    | Director<br>resigned | Balance as at 30<br>June 2018 |
|--------------------------------|------------------------------|--------------------|----------------------|-------------------------------|
| Alison Coutts (a)              | 265,881                      | 58,726,336         | -                    | 58,992,217                    |
| Andrew Goodall (b)             | 16,006,840                   | 72,223,253         | -                    | 88,230,093                    |
| John Pereira #                 | 73,333                       | -                  | (73,333)             | -                             |
| Marjan Mikel * (c)             | -                            | 1,000,000          | -                    | 1,000,000                     |
| <b>Total</b>                   | <b>16,346,054</b>            | <b>131,949,589</b> | <b>(73,333)</b>      | <b>148,222,310</b>            |

\* Directors appointed during the year. # Directors resigned during the year.

The number of shares has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

- (a) Alison Coutts' shareholding comprises 58,726,377 shares held directly and 265,840 held indirectly.  
(b) Andrew Goodall's shareholding comprises 87,768,600 shares held directly, and 461,493 shares held indirectly.  
(c) Marjan Mikel's shareholding comprises 1,000,000 shares held indirectly.

# Memphasys Limited and its Controlled Entities

## Directors' Report

### REMUNERATION REPORT – AUDITED (continued)

#### Transactions with related parties

i) At 30 June 2019, payables to related parties were as follows:

|                                      | 2019<br>\$    | 2018<br>\$    |
|--------------------------------------|---------------|---------------|
| Andrew Goodall director fees         | 4,584         | 4,167         |
| Andrew Goodall reimburse of expenses | -             | 712           |
| Alison Coutts superannuation         | 5,133         | 5,012         |
| Pablo Neyertz reimburse of expenses  | 1,766         | 1,054         |
| Pablo Neyertz superannuation         | 2,874         | 2,874         |
| Marjan Mikel director fees           | 4,167         | 3,288         |
|                                      | <b>18,524</b> | <b>17,107</b> |

ii) Loans payable to related parties - principal:

|                   | 2019<br>\$     | 2018<br>\$     |
|-------------------|----------------|----------------|
| Current balances: |                |                |
| Andrew Goodall    | 293,038        | -              |
| Alison Coutts     | -              | 405,982        |
| <b>Total</b>      | <b>293,038</b> | <b>405,982</b> |

| Loan ref | Currency | Interest rate | Maturity | Security  |
|----------|----------|---------------|----------|-----------|
| a)       | AUD      | 0%            | At call  | Unsecured |

\$293,038 is the balance of loans provided by Andrew Goodall to Memphasys for the total amount of \$1,185,339 from December 2018 to June 2019, after converting \$892,301 to equity in the non-renounceable shares issue on 28 March 2019. Due to not having charged interest, Andrew Goodall will be recompensed with unlisted options to be voted on by shareholders in the Extraordinary General Meeting to be held in September 2019.

iii) Loans payable to related parties - interest:

|                          | 2019<br>\$ | 2018<br>\$    |
|--------------------------|------------|---------------|
| <b>Current balances:</b> |            |               |
| Alison Coutts            | -          | 65,754        |
| <b>Total</b>             | <b>-</b>   | <b>65,754</b> |



## Memphasys Limited and its Controlled Entities

### Directors' Report

#### REMUNERATION REPORT – AUDITED (continued)

iv) Interest paid and accrued on financial liabilities with related parties:

|                           | Interest paid  |              | Interest accrued |                |
|---------------------------|----------------|--------------|------------------|----------------|
|                           | 2019<br>\$     | 2018<br>\$   | 2019<br>\$       | 2018<br>\$     |
| Andrew Goodall            | -              | -            | -                | 28,645         |
| Alison Coutts             | 101,196        | 1,593        | 35,443           | 77,202         |
| Alison Coutts Super Fund  | -              | -            | -                | 1,898          |
| Goodall Family Super Fund | -              | 1,661        | -                | 1,643          |
| Marjan Mikel              | 2,400          | -            | 2,400            | -              |
|                           | <b>103,596</b> | <b>3,254</b> | <b>37,843</b>    | <b>109,388</b> |

v) Loans converted into shares:

|                                    | Number of shares  |                   | Converted loan balance |                  |
|------------------------------------|-------------------|-------------------|------------------------|------------------|
|                                    | 2019              | 2018 *            | 2019<br>\$             | 2018<br>\$       |
| Andrew Goodall and related parties | 44,615,047        | 45,071,000        | 892,301                | 676,065          |
| Alison Coutts and related parties  | 20,000,000        | 50,955,869        | 400,000                | 764,338          |
| <b>Total</b>                       | <b>64,615,047</b> | <b>96,026,869</b> | <b>1,292,301</b>       | <b>1,440,403</b> |

\* The comparative period calculation has been adjusted for the share consolidation on 17 August 2018.

#### g) Other transactions with companies and related parties in the group

Transactions between Memphasys Limited and other entities in the wholly-owned group during the year ended 30 June 2019 consisted of loans advanced by Memphasys Limited to its controlled entity Feronia Fertility Pty Ltd.

***This concludes the Remuneration Report, which has been audited.***

#### CORPORATE GOVERNANCE

The company's corporate governance statement is published in Memphasys' website [www.memphasys.com](http://www.memphasys.com).

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Alison Coutts  
Executive Chairman



Sydney  
26 August 2019

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MEMPHASYS LIMITED  
ABN 33 120 047 556**

In relation to the independent audit for the year ended 30 June 2019, 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 any applicable code of professional conduct.

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



**M A GODLEWSKI**

Partner

**PITCHER PARTNERS**

Sydney

26 August 2019

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**

|  |       | 2019                | 2018                  |
|--|-------|---------------------|-----------------------|
|  | Notes | \$                  | \$                    |
| <b>Continuing operations:</b>  |       |                     |                       |
| Revenue  |       | -                   | -                     |
| Gross profit   |       | -                   | -                     |
| Other income   | 5     | 86,612              | 65,541                |
| Net gain on settlement of debt   | 5     | -                   | 896,232               |
| General and administration expenses  |       | (886,955)           | (986,781)             |
| Research and development expenses  |       | (196,901)           | (181,109)             |
| Finance cost expenses  | 6     | (47,334)            | (276,988)             |
| Exchange gain  | 6     | -                   | 81,946                |
| <b>Loss before income tax</b>  |       | <b>(1,044,578)</b>  | <b>(401,159)</b>      |
| Income tax expense   | 7     | -                   | -                     |
| <b>Loss after tax from continuing operations</b>                             |       | <b>(1,044,578)</b>  | <b>(401,159)</b>      |
| <b>Net loss for the year attributable to members of parent</b>               |       | <b>(1,044,578)</b>  | <b>(401,159)</b>      |
| <b>Other comprehensive (expense)/income:</b>                                 |       |                     |                       |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |       |                     |                       |
| Exchange translation differences   |       | -                   | -                     |
| <b>Total other comprehensive income for the year</b>                         |       | <b>-</b>            | <b>-</b>              |
| <b>Total comprehensive income for the year</b>                               |       | <b>(1,044,578)</b>  | <b>(401,159)</b>      |
| <b>Total comprehensive income attributable to:</b>                           |       |                     |                       |
| Owners of the Company  |       | -                   | -                     |
| Non-controlling interest   |       | -                   | -                     |
| <b>Total comprehensive income for the year</b>                               |       | <b>(1,044,578)</b>  | <b>(401,159)</b>      |
| <b>Earnings per share (EPS)</b>  | 8     | <b>Dollar/share</b> | <b>Dollar/share *</b> |
| – basic loss per share   |       | (0.0025)            | (0.0022)              |
| – diluted loss per share   |       | (0.0025)            | (0.0022)              |

\* The comparative calculation has been adjusted for the share consolidation on 17 August 2018.

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

**Consolidated statement of financial position**  
**As at 30 June 2019**

|                                      |       | 30 June 2019     | 30 June 2018     |
|--------------------------------------|-------|------------------|------------------|
|                                      | Notes | \$               | \$               |
| <b>ASSETS</b>                        |       |                  |                  |
| <b>CURRENT ASSETS</b>                |       |                  |                  |
| Cash and cash equivalents            | 9     | 873,573          | 201,807          |
| Trade and other receivables          | 10    | -                | -                |
| Other current assets                 | 11    | 1,280,035        | 659,454          |
| <b>TOTAL CURRENT ASSETS</b>          |       | <b>2,153,608</b> | <b>861,261</b>   |
| <b>NON-CURRENT ASSETS</b>            |       |                  |                  |
| Property, plant and equipment        | 12    | 27,514           | 22,732           |
| Intangible assets                    | 13    | 4,655,316        | 3,333,180        |
| <b>TOTAL NON-CURRENT ASSETS</b>      |       | <b>4,682,830</b> | <b>3,355,912</b> |
| <b>TOTAL ASSETS</b>                  |       | <b>6,836,438</b> | <b>4,217,173</b> |
| <b>LIABILITIES</b>                   |       |                  |                  |
| <b>CURRENT LIABILITIES</b>           |       |                  |                  |
| Trade and other payables             | 14    | 308,618          | 222,428          |
| Interest bearing liabilities         | 15    | -                | 471,736          |
| Non-interest bearing liabilities     | 16    | 319,372          | 26,334           |
| Lease liabilities                    | 26c   | 3,768            | 3,552            |
| Tax liabilities                      | 17    | 7,436            | 10,146           |
| Short-term provisions                | 18    | 93,462           | 89,186           |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <b>732,656</b>   | <b>823,382</b>   |
| <b>NON-CURRENT LIABILITIES</b>       |       |                  |                  |
| Lease liabilities                    | 26c   | 2,975            | 6,746            |
| Long-term provisions                 | 18    | 29,366           | 35,465           |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |       | <b>32,341</b>    | <b>42,211</b>    |
| <b>TOTAL LIABILITIES</b>             |       | <b>764,997</b>   | <b>865,593</b>   |
| <b>NET ASSETS</b>                    |       | <b>6,071,441</b> | <b>3,351,580</b> |
| <b>EQUITY</b>                        |       |                  |                  |
| Issued capital                       | 19    | 43,424,091       | 40,095,314       |
| Reserves                             | 21    | 1,451,272        | 1,015,610        |
| Accumulated losses                   |       | (38,803,922)     | (37,759,344)     |
| <b>TOTAL EQUITY</b>                  |       | <b>6,071,441</b> | <b>3,351,580</b> |

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

**Consolidated statement of changes in equity**  
**For the year ended 30 June 2019**

|  | Notes | Issued<br>Capital<br>\$ | Share<br>Options<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>Equity<br>\$ |
|--|-------|-------------------------|-----------------------------------|-----------------------------|-----------------------|
| <b>Balance 1 July 2017</b>                       |       | <b>36,019,885</b>       | <b>936,060</b>                    | <b>(37,358,185)</b>         | <b>(402,240)</b>      |
| <b>Movement</b>                                  |       |                         |                                   |                             |                       |
| Loss for the year                                |       | -                       | -                                 | (401,159)                   | (401,159)             |
| <b>Total comprehensive income for the period</b> |       | -                       | -                                 | (401,159)                   | (401,159)             |
| Issue of share capital                           | 19    | 4,435,434               | -                                 | -                           | 4,435,434             |
| Transaction costs on share issue                 |       | (360,005)               | -                                 | -                           | (360,005)             |
| Share options issued                             | 21    | -                       | 79,550                            | -                           | 79,550                |
| <b>Balance 30 June 2018</b>                      |       | <b>40,095,314</b>       | <b>1,015,610</b>                  | <b>(37,759,344)</b>         | <b>3,351,580</b>      |
| <b>Balance 1 July 2018</b>                       |       | <b>40,095,314</b>       | <b>1,015,610</b>                  | <b>(37,759,344)</b>         | <b>3,351,580</b>      |
| <b>Movement</b>                                  |       |                         |                                   |                             |                       |
| Loss for the year                                |       | -                       | -                                 | (1,044,578)                 | (1,044,578)           |
| <b>Total comprehensive income for the period</b> |       | -                       | -                                 | (1,044,578)                 | (1,044,578)           |
| Issue of share capital                           | 19    | 4,075,891               | -                                 | -                           | 4,075,891             |
| Transaction costs on share issue                 |       | (747,114)               | -                                 | -                           | (747,114)             |
| Share options issued                             | 21    | -                       | 435,662                           | -                           | 435,662               |
| <b>Balance 30 June 2019</b>                      |       | <b>43,424,091</b>       | <b>1,451,272</b>                  | <b>(38,803,922)</b>         | <b>6,071,441</b>      |

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

**Consolidated statement of cash flows**  
**For the year ended 30 June 2019**

|  |       | 2019               | 2018               |
|--|-------|--------------------|--------------------|
|  | Notes | \$                 | \$                 |
| <b>Cash flows from operating activities</b>            |       |                    |                    |
| Receipts from customers                                |       | -                  | 52,769             |
| Payments to suppliers and employees                    |       | (1,183,854)        | (1,548,506)        |
| Government grant receipts                              |       | 592,734            | 831,529            |
| Finance costs  |       | (116,352)          | (74,211)           |
| <b>Net cash flows used in operating activities</b>     | 9 (a) | <b>(707,472)</b>   | <b>(738,419)</b>   |
| <b>Cash flows from investing activities</b>            |       |                    |                    |
| Interest received                                      |       | 2,876              | 2,613              |
| Payment for increase of security term deposit          |       | -                  | (4,800)            |
| Payment for purchase of property, plant and equipment  |       | (13,702)           | (2,405)            |
| Payments for internal development                      |       | (2,112,859)        | (1,229,505)        |
| <b>Net cash flows used in investing activities</b>     |       | <b>(2,123,685)</b> | <b>(1,234,097)</b> |
| <b>Cash flows from financing activities</b>            |       |                    |                    |
| Proceeds from issue of shares                          |       | 2,703,594          | 2,344,349          |
| Share issue costs                                      |       | (380,028)          | (350,169)          |
| Receipts from third party loans                        |       | 50,000             | 660,000            |
| Repayment of third party loans                         |       | (114,982)          | (545,156)          |
| Receipts from related party loans                      |       | 1,294,339          | 286,330            |
| Repayment of related party loans                       |       | (50,000)           | (223,380)          |
| <b>Net cash flows provided by financing activities</b> |       | <b>3,502,923</b>   | <b>2,171,974</b>   |
| Net increase / (decrease) in cash and cash equivalents |       | 671,766            | 199,458            |
| Cash and cash equivalents at beginning of year         |       | 201,807            | 2,349              |
| <b>Cash and cash equivalents at end of year</b>        | 9     | <b>873,573</b>     | <b>201,807</b>     |

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

## **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. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in the development and manufacture of cell and protein separation devices, and associated consumables, for use in Healthcare, Veterinary and Biotechnology market sectors.

## **2. Basis of preparation**

### **a) Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 22 August 2019.

### **b) Basis of measurement**

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost.

### **c) Functional and presentation currency**

The financial information of each of the Group's foreign entities is measured using the currency of the primary economic environment in which it operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's primary functional currency.

### **d) Use of estimates and judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Going concern – refer to Note 3(a);
- Other receivables impairment – refer to Note 10; and
- Intangible assets impairment review – refer to Note 13(d).

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### **a) Going concern**

The financial statements have been prepared on a "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.

In the coming financial year, Memphasys' commercial development strategy will continue to be focused on developing the Felix human IVF device, positioning it ready for market launch. It will also focus on the development of a next generation device for both human and animal ART applications and the progression of the current bio-separations programs, which is an adjunct activity not requiring large resourcing. Memphasys will require extra funding for all of these activities.

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

- The Group made a net loss for the year ended 30 June 2019 of \$1,044,578 (2018: \$401,159).
- For the year ended 30 June 2019 the Group had net cash outflows from operating activities of \$707,472 (2018: \$738,419) and net cash outflows from investing activities of \$2,123,685 (2018: \$1,234,097).
- At 30 June 2019 the Group had an excess in working capital of \$1,420,952 (2018: \$37,879).
- At 30 June 2019 the Group had net assets of \$6,071,441 (2018: \$3,351,580).

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

- On 12 July 2019 the Company received the first tranche of the placement of shares organised by its corporate finance advisors, Patersons Securities Limited, for the amount of \$1,516,533 net of brokerage fees. The second tranche of this placement, for an amount of \$2,138,490 net of brokerage fees and net of debt of \$292,977 will be converted to equity by Andrew Goodall, is estimated to be received by mid of September 2019.
- AusIndustry has approved the R&D tax claim for an amount of \$1,103,264 which is expected to be received in September 2019.
- The \$200,000 extension of the line of credit by Alison Coutts announced in July 2017 is still current and available to be drawn for the full amount.
- The Group has the ability to access funds through further issues of securities by the parent entity and is also in a strong position to receive further grant funding to support various programs.

Based on the above, Memphasys will continue to access funding to advance the development of the Felix human and animal ART devices to commercialisation and also continue its bio-separation activities to bring these closer to a commercial outcome.

No adjustments have been made to the financial report relating to the recoverability and classification of the carrying amounts of assets and classification of liabilities that might be necessary should the Group not continue as a going concern.



### **3. Significant accounting policies (continued)**

#### **b) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the company controls an investee if and only if the company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A list of controlled entities is contained in Note 24 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

#### **c) Segment reporting**

As a result of discontinued operations in the financial year 2016, there is only one segment.

#### **d) Foreign currency transactions and balances**

##### *Foreign currency transactions*

Foreign currency transactions are translated into the group's functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised through profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised through profit or loss.

#### **e) Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / assets are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

### **3. Significant accounting policies (continued)**

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised for the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

#### **g) Financial instruments**

##### *i) Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to the purchase or sale of the asset.

##### *ii) Classification and subsequent measurement*

Finance instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

Amortised cost is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;
- Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows necessitate an adjustment to the carrying value with a consequential recognition of income or expense in profit or loss.

##### *Loans and receivables*

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

##### *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### **3. Significant accounting policies (continued)**

#### **h) Property, plant and equipment**

Each class of property, plant and equipment is carried at historic cost less, where applicable, any accumulated depreciation and impairment losses.

##### *i) Plant and equipment*

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

##### *ii) Depreciation*

The depreciable amount of fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

|                        | 2019      | 2018      |
|------------------------|-----------|-----------|
| Plant and equipment    | 10% - 33% | 10% - 33% |
| Leasehold improvements | 14% - 20% | 14% - 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of profit or loss and other comprehensive income.

#### **i) Intangible assets**

##### *i) Research and development costs*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs capitalised comprises all directly attributable costs, including cost of materials, services, direct labour and an appropriate proportion of overheads. Development costs have a finite life and are amortised from the point at which the asset is ready for use on a systematic basis matched to the future economic benefits over the useful life of the project.

##### *ii) Patents and trademarks*

Costs associated with patents and trademarks are expensed in the year in which they are incurred, unless the expenditure will generate future economic benefits. Patents and trademarks capitalised are included in internal development costs and have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses.

##### *iii) Amortisation*

Amortisation is based on the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

### **3. Significant accounting policies (continued)**

*iv) Impairment*

Impairment testing is performed annually for intangible assets with indefinite lives or assets under development.

**j) Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed through profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**k) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be paid for those benefits. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows.

*i) Equity-settled Compensation*

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

*ii) Retirement benefit obligations*

All employees of the group are entitled to benefits from the group's superannuation plan on retirement. Contributions to the defined contribution fund are recognised as an expense as they become payable.

**l) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

**m) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are classified within short-term borrowings in current liabilities in the statement of financial position.

**n) Trade and other payables**

Trade and other payables represent liabilities outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within short-term credit terms.

### **3. Significant accounting policies (continued)**

#### **o) Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities. A sale is recorded when goods or services have been despatched to a customer pursuant to a sales order and the associated risks and rewards of ownership have passed to the customer. Where cash is received for goods not yet despatched revenue is deferred until risk and rewards of ownership are transferred to the customer.

#### **p) Government grants**

A government grant is considered as assistance by a state authority in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operation of the group. The R&D Tax Incentive Scheme for small companies is considered a government grant. Although it is administered by the government through the ATO, it is not linked to the level or availability of taxable profits.

In accordance with AASB120 *Accounting for Government Grants and Disclosure of Government Assistance*, grant income is recognised as receivable at fair value where there is reasonable assurance that the grant will be received, and all grant conditions have been satisfied.

The portion of the government grant relating to development assets is credited to capitalised development costs of the intangible assets they relate to. Government grants relating to costs incurred in the profit or loss statement are recognised as grant income in the same period.

#### **q) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as an expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **r) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **s) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **t) Earnings per Share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted by bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing cost associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **3. Significant accounting policies (continued)**

#### **u) Rounding of Amounts**

The parent 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.

#### **v) New accounting standards issued but not yet effective**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The group has decided not to early adopt any of these new and amended pronouncements. The group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below.

##### **AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).**

AASB 16 will replace AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

AASB 16 applies to annual periods beginning on or after 1 January 2019. As at 30 June 2019, the Group has non-cancellable operating lease commitment of \$302,443 (Note 26 b)). A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB16, and hence the Group will recognise a right-of use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The Group will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets and total liabilities increasing by approximately \$1,130,000 as the option periods in the lease agreement have been included in the calculations.

#### **w) New Accounting Standards adopted by the group**

The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers with a date of initial application of 1 July 2018.

The adoption of AASB 9 and AASB 15 has not had a material impact on the financial statements.

#### 4. Parent entity disclosures

The following information has been extracted from the books and records of Memphasys Limited and has been prepared in accordance with the basis of preparation disclosed in Note 2.

|   | 2019<br>\$   | 2018<br>\$   |
|---|--------------|--------------|
| <b>Statement of financial position</b>                            |              |              |
| Assets:   |              |              |
| Current assets  | 5,011,200    | 2,265,986    |
| Total assets  | 5,011,200    | 2,265,986    |
| Liabilities:  |              |              |
| Current liabilities   | 572,787      | 705,285      |
| Total liabilities   | 602,154      | 740,750      |
| Equity:   |              |              |
| Issued capital  | 43,424,091   | 40,095,314   |
| Accumulated losses  | (40,466,317) | (39,585,687) |
| Options reserve   | 1,451,272    | 1,015,610    |
| Total equity  | 4,409,046    | 1,525,237    |
| <b>Statement of profit or loss and other comprehensive income</b> |              |              |
| Total loss for the year   | (880,630)    | (200,591)    |
| Total comprehensive expense for the year                          | (880,630)    | (200,591)    |

#### Guarantees

Memphasys Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

#### Contingent liabilities

At 30 June 2019, Memphasys Limited had no contingent liabilities (2018: Nil).

#### Contractual commitments

At 30 June 2019 Memphasys Limited:

- Is committed to pay in June 2020 the third tranche of USD 45,000 to Soladoc LLC (trading as Greenlight Guru) for the subscription of a quality management platform.
- Is committed to pay Hydrix Pty Ltd for the final stage of the design and product development of the clinical Felix system. The outstanding amount of the contract is \$692,500 and its expected completion is November 2019. At 30 June 2019 there had been work completed for \$1,109,250.
- W&S Plastics Pty Ltd was engaged to manufacture and assemble Felix disposable cartridges. The total amount of the contract is \$3,360,000. The different stages and timing of the project are as follows:
  - \$360,000 on the prototype tooling phase estimated to finalise in September 2019,
  - \$2,300,000 on the assembling of 100,000 cartridges for a period of 22 months from the time sales begin (estimated at July 2020), and
  - \$700,000 for the final tooling phase and the assembling of further 30,000 cartridges for a period of 4 months (estimated to start at March 2022).

At 30 June 2019 there had been work in progress done for \$46,800.

## 5. Revenue / other income

|                                  | Note | 2019<br>\$    | 2018<br>\$     |
|----------------------------------|------|---------------|----------------|
| <b>Other income</b>              |      |               |                |
| Grant income                     | 13   | 83,736        | 63,178         |
| Finance income                   |      | 2,876         | 2,363          |
| Net gain on settlement of debt * |      | -             | 896,232        |
| <b>Total other income</b>        |      | <b>86,612</b> | <b>961,773</b> |

\* Memphasys successfully resolved the dispute on the third-party debt with PrIME Biologics Pte Limited ("PrIME"), as reported on 27 July 2017. A net gain on settlement of the debt was recognised as a result of derecognising the debt owed by Memphasys and the B class shares in PrIME, no longer owned by Memphasys.

## 6. Loss for the year

Loss for the year is arrived at after charging / (crediting) the following amounts:

|  | Note  | 2019<br>\$ | 2018<br>\$ |
|--|-------|------------|------------|
| <b>Expenses</b>  |       |            |            |
| Depreciation:  |       |            |            |
| Plant and equipment  | 12    | 8,920      | 7,318      |
| Leasehold improvements   | 12    | -          | 13,636     |
| Total depreciation expense   |       | 8,920      | 20,954     |
| Depreciation include amounts which have been capitalised under research and development expenditure. |       |            |            |
| Finance costs:   |       |            |            |
| Interest expense on financial liabilities with related parties                                       | 23(f) | 37,843     | 109,389    |
| Other interest expense   |       | 9,491      | 167,599    |
|  |       | 47,334     | 276,988    |
| Staff costs:   |       |            |            |
| Salaries   |       | 811,674    | 707,449    |
| Superannuation   |       | 69,173     | 60,772     |
| Salaries include amounts which have been capitalised under research and development expenditure.     |       |            |            |
| Rental expense relating to operating leases  |       | 155,709    | 151,173    |
| Legal fees   |       | 20,215     | 95,111     |
| Exchange losses / (gains)  |       | -          | (81,946)   |



**7. Income tax expense**

**a) Income tax expense**

|   | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|
| Income tax reported in the statement of profit or loss and other comprehensive income | -          | -          |

**b) Reconciliation of effective tax rate**

|   | 2019<br>\$  | 2018<br>\$ |
|---|-------------|------------|
| Accounting loss before tax from continuing operations   | (1,044,578) | (401,159)  |
| Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%) | (287,259)   | (110,318)  |
| Less:   |             |            |
| Tax effect of:  |             |            |
| Non-deductible expenditure  | 108,740     | 50,032     |
| Research and development tax incentive (non-assessable)   | (23,027)    | (17,374)   |
| Other deductible expenditure  | -           | (18,214)   |
| Capital losses recouped   | -           | (246,464)  |
| Current year tax losses carried forward   | 201,546     | 342,338    |
| Income tax expense recorded in statement of profit or loss and other comprehensive income         | -           | -          |

**c) Deferred income tax**

Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences. Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Due to the value of tax losses and the group performance for the year, it is not considered probable that temporary differences will be utilised in the foreseeable future.

**d) Tax losses**

The Group has separate tax entities within Australia and the United States.

The Australian tax jurisdiction has tax losses which are not recognised in its book at 30 June 2019. The unused tax losses held in the Australian group of companies as at 30 June 2019 is \$32,417,024. The amount of the benefit which may be realised in the future is based on the assumption that no adverse change will occur in the income tax legislation, the group will derive sufficient assessable income to recoup the losses and the group will comply with the conditions of deductibility imposed by the law.

**8. Earnings per share**

The income and share data used in the basic and diluted earnings per share computation is:

|  | 2019<br>\$         | 2018<br>\$       |
|--|--------------------|------------------|
| <b>Loss after tax from operations</b>  | <b>(1,044,578)</b> | <b>(401,159)</b> |
| <b>Weighted average number of shares used as the denominator</b>   | <b>Shares</b>      | <b>Shares</b>    |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                 | 409,925,467        | 182,734,938*     |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 409,925,467        | 182,734,938*     |

**Memphasys Limited and its Controlled Entities**  
**Notes to Financial Statements**  
**For the year ended 30 June 2019**

\* The Weighted average number of shares has been adjusted for the share consolidation on 17 August 2018.

**9. Cash and cash equivalents**

|              | 2019<br>\$     | 2018<br>\$     |
|--------------|----------------|----------------|
| Cash at bank | <u>873,573</u> | <u>201,807</u> |

**a) Reconciliation of operating loss to net cash outflow from operating activities**

|   | 2019<br>\$         | 2018<br>\$       |
|---|--------------------|------------------|
| Loss from ordinary activities after income tax expense: | (1,044,578)        | (401,159)        |
| Depreciation  | 8,920              | 20,954           |
| Net finance cost  | 47,334             | 200,164          |
| Shares issued in lieu of director fees and expenses     | -                  | 202,179          |
| Grant income  | (83,736)           | (63,178)         |
| Shares issued in lieu of consulting fees                | -                  | 75,552           |
| Gain on net settlement of debt                          | -                  | (896,232)        |
| Share option reserve                                    | 24,200             | 79,550           |
| Foreign exchange translation                            | -                  | (81,946)         |
|   | <u>(1,047,860)</u> | <u>(864,116)</u> |
| Change in operating assets and liabilities:             |                    |                  |
| Increase in trade and other debtors                     | (620,581)          | (182,577)        |
| Increase/(decrease) in trade payables                   | 66,190             | (599,572)        |
| Increase/(decrease) in tax liabilities                  | (2,710)            | 12,926           |
| Decrease in lease liabilities                           | (3,555)            | (3,353)          |
| (Decrease)/increase in provisions                       | (1,823)            | 5,792            |
| Increase in deferred income                             | 1,019,219          | 892,481          |
|   | <u>(591,120)</u>   | <u>(738,419)</u> |
| Cash outflows from operating activities                 | (591,120)          | (738,419)        |
| Interest paid   | (116,352)          | -                |
|   | <u>(707,472)</u>   | <u>(738,419)</u> |
| <b>Net cash outflows from operating activities</b>      | <u>(707,472)</u>   | <u>(738,419)</u> |

**Non-cash transactions**

During the year the Company issued ordinary shares of \$1,372,301 on conversion of loans of \$1,292,301 and in lieu of consulting fees of \$80,000.

**10. Trade and other receivables**

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
| <b>Trade and other receivables - current</b> |            |            |
| Trade receivables                            | -          | -          |
|  | <u>-</u>   | <u>-</u>   |

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
| <b>Trade and other receivables – non-current</b> |            |            |
| Related party receivable – Thee Woon Goh         | 947,311    | 947,311    |
| Impairment of related party receivables          | (947,311)  | (947,311)  |
|  | <u>-</u>   | <u>-</u>   |

On 25 November 2011, Mr Thee Woon Goh, a non-executive director at the time of the Singapore subsidiary, Prime Biologics Pte Ltd, exercised 12,622,691 short dated share options. The consideration for these shares was not paid when due in November 2011 and the Company entered into a debt agreement with Mr Thee Woon Goh, retaining a lien over the securities. The loan has not been repaid since then and the Company is contemplating how best to deal with these shares.

#### 11. Current assets – other assets

|  | Note  | 2019<br>\$       | 2018<br>\$     |
|--|-------|------------------|----------------|
| Term deposit – bank guarantee rent Homebush *    |       | 42,750           | 42,750         |
| Security deposits                                |       | 5,290            | 5,172          |
| Prepaid expenses                                 |       | 128,731          | 18,798         |
| Amount receivable under R&D Tax Incentive Scheme | 13(c) | 1,103,264        | 592,734        |
|  |       | <u>1,280,035</u> | <u>659,454</u> |

\* The term deposit relates to a rental bond which is deposited in an escrow account.

#### 12. Property, plant and equipment

|                                  | Note | Plant & Equipment<br>\$ | Leasehold Improvements<br>\$ | Total<br>\$      |
|----------------------------------|------|-------------------------|------------------------------|------------------|
| <b>Cost:</b>                     |      |                         |                              |                  |
| Balance at 1 July 2017           |      | 670,701                 | 592,357                      | 1,263,058        |
| Additions                        |      | 2,405                   | -                            | 2,405            |
| Disposals                        |      | -                       | -                            | -                |
| Balance at 30 June 2018          |      | <u>673,106</u>          | <u>592,357</u>               | <u>1,265,463</u> |
| Balance at 1 July 2018           |      | 673,106                 | 592,357                      | 1,265,463        |
| Additions                        |      | 13,702                  | -                            | 13,702           |
| Disposals                        |      | -                       | -                            | -                |
| Balance at 30 June 2019          |      | <u>686,808</u>          | <u>592,357</u>               | <u>1,279,165</u> |
| <b>Accumulated depreciation:</b> |      |                         |                              |                  |
| Balance at 1 July 2017           |      | 643,056                 | 578,721                      | 1,221,777        |
| Depreciation for the year        | 6    | 7,318                   | 13,636                       | 20,954           |
| Balance at 30 June 2018          |      | <u>650,374</u>          | <u>592,357</u>               | <u>1,242,731</u> |
| Balance at 1 July 2018           |      | 650,374                 | 592,357                      | 1,242,731        |
| Depreciation for the year        | 6    | 8,920                   | -                            | 8,920            |
| Balance at 30 June 2019          |      | <u>659,294</u>          | <u>592,357</u>               | <u>1,251,651</u> |
| Net book value at 30 June 2018   |      | <u>22,732</u>           | <u>-</u>                     | <u>22,732</u>    |
| Net book value at 30 June 2019   |      | <u>27,514</u>           | <u>-</u>                     | <u>27,514</u>    |

### 13. Intangible assets

#### a) Reconciliation of movements in intangible assets

|  | Note  | Internal<br>Development<br>\$ | Total<br>\$ |
|--|-------|-------------------------------|-------------|
| <b>Cost:</b>   |       |                               |             |
| Balance at 1 July 2017                               |       | 4,145,541                     | 4,145,541   |
| Additions  |       | 1,306,441                     | 1,306,441   |
| Balance at 30 June 2018                              |       | 5,451,982                     | 5,451,982   |
| Balance at 1 July 2018                               |       | 5,451,982                     | 5,451,982   |
| Additions  |       | 2,341,664                     | 2,341,664   |
| Balance at 30 June 2019                              |       | 7,793,646                     | 7,793,646   |
| <b>Accumulated grant income:</b>                     |       |                               |             |
| Balance at 1 July 2017                               |       | 1,189,246                     | 1,189,246   |
| Deferred R&D Tax Incentive grant income for the year | 13(c) | 529,556                       | 529,556     |
| NSW medical device grant income for the year *       |       | 400,000                       | 400,000     |
| Balance at 30 June 2018                              |       | 2,118,802                     | 2,118,802   |
| Balance at 1 July 2018                               |       | 2,118,802                     | 2,118,802   |
| Deferred R&D Tax Incentive grant income for the year | 13(c) | 1,019,528                     | 1,019,528   |
| Balance at 30 June 2019                              |       | 3,138,330                     | 3,138,330   |
| Net carrying value at 30 June 2018                   |       | 3,333,180                     | 3,333,180   |
| Net carrying value at 30 June 2019                   |       | 4,655,316                     | 4,655,316   |

\* Special grant received from the NSW Medical Device Fund ("NSWMDF") to advance the development of the Felix device, as announced to the market on 22 December 2017. This grant was subject to a number of terms and conditions which were met by Memphasys by March 2018. According to accounting standards, the Company was in conditions to recognise the grant as income. However, because the underlying expenses founded with the grant had been capitalised as intangible assets, the amount of \$400,000 has been recognised as deferred income, netted off from Intangible Assets, and will be amortised once the Felix device is ready to be commercialised.

The Group capitalises development costs based on time spent by employees, the type of project, related development tasks and other related factors. The intangible assets will be amortised when they are available for use.

#### b) Reconciliation of intangible assets carrying value by project

|   | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|
| Felix Device - sperm separations humans   | 3,478,894  | 2,453,081  |
| Farlap Device - sperm separations animals | 587,507    | 515,202    |
| Membranes for Felix Device                | 588,915    | 364,897    |
|   | 4,655,316  | 3,333,180  |

**c) Reconciliation of grant income receivable at 30 June**

|  |             | <b>2019</b>      | <b>2018</b> |
|--|-------------|------------------|-------------|
|  | <b>Note</b> | <b>\$</b>        | <b>\$</b>   |
| <b>Analysis of grant income receivable:</b>      |             |                  |             |
| Component relating to projects under development | 13(a)       | <b>1,019,528</b> | 529,556     |
| Recognised as grant income in the current year   |             | <b>83,736</b>    | 63,178      |
| Total government grants receivable               | 11          | <b>1,103,264</b> | 592,734     |

**d) Impairment review of intangible assets under development**

In assessing whether there are any indicators of impairment relating to the Felix business the following factors have been taken into account:

- Memphasys' engineering development partner, Hydrix, with ongoing input from Memphasys, has designed the next generation Felix sperm processing device to be launched into the human ART market. The Felix device comprises a sterile single-use disposable cartridge and a benchtop console. The Felix system is designed to separate high-quality sperm from a semen sample for use in human ART processes.
- Memphasys has contracted W&S, the largest plastic moulding manufacturer in the southern hemisphere, to manufacture the Felix sperm processing cartridge. The first production systems are anticipated to be completed in October 2019.
- Through extensive experimentation at University of Newcastle and Monash IVF, as well as discussions with W&S, the engineering design, device consumables, and operating parameters have been optimised for the Felix system.
- The prototype re-usable Felix cartridge has further use for optimising operating conditions in animal assisted reproduction, for example in equine IVF where further experimentation at University of Newcastle has validated the efficacy of the reusable cartridge for separating out the best equine sperm for ART procedures. The prototype device has also been used to establish the viability and longevity of fresh bovine sperm after collection, as well as the effects of dilution with IVF media.
- Testing by researchers at the University of Newcastle of healthy human male semen samples have shown that the proposed Felix device separates viable sperm without imparting DNA damage and testing at Monash IVF has shown that the final design is capable of separating sperm from clinical samples.
- Memphasys has developed manufacturing processes and quality assurance testing of its membranes to support ongoing membrane development and commercialisation of the Felix device.
- The Group has assessed that future economic benefits from the intangible assets will be greater than the sum of development costs at the reporting date plus future development costs to commercialise the assets.
- The Group has assessed that there are no new specific risks in relation to the development and commercialisation of the projects. The key risk to Felix commercialisation is the regulatory approval timeline and the overhaul to the medical device regulations, "MDR" in Europe, which will also have flow-on effects to other markets such as Australia.
- Memphasys is confident it has sufficient funding for the coming year to advance the commercialisation of the Felix device.

**14. Trade and other payables**

|                              |             | <b>2019</b>    | <b>2018</b> |
|------------------------------|-------------|----------------|-------------|
|                              | <b>Note</b> | <b>\$</b>      | <b>\$</b>   |
| Trade payables               |             | <b>227,094</b> | 130,086     |
| Payable to related parties   | 23(f)(i)    | <b>18,524</b>  | 17,707      |
| Other creditors and accruals |             | <b>63,000</b>  | 75,235      |
|                              |             | <b>308,618</b> | 222,428     |

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 25.

## 15. Interest bearing liabilities

|                                      |                 |                      | <b>Note</b>             | <b>2019</b><br>\$ | <b>2018</b><br>\$     |
|--------------------------------------|-----------------|----------------------|-------------------------|-------------------|-----------------------|
| <b>Current:</b>                      |                 |                      |                         |                   |                       |
| Loans from related parties – secured |                 |                      | 23(f)(ii)               | -                 | 471,736               |
|                                      |                 |                      |                         | -                 | 471,736               |
| <b>2018 Analysis of debt</b>         | <b>Currency</b> | <b>Interest rate</b> | <b>Year of maturity</b> | <b>Face value</b> | <b>Carrying value</b> |
| Related party loan secured           | AUD             | 10%                  | 2019                    | 471,736           | 471,736               |
| Total current debt at 30 June 2018   |                 |                      |                         | <b>471,736</b>    | <b>471,736</b>        |

The related party loans - secured were collateralised over the assets of Memphasys Limited.

## 16. Non-interest bearing liabilities

|  |     |  | <b>Note</b> | <b>2019</b><br>\$ | <b>2018</b><br>\$ |
|--|-----|--|-------------|-------------------|-------------------|
| <b>Current:</b>                        |     |  |             |                   |                   |
| Loans from related parties – unsecured | (a) |  | 23(f)(ii)   | <b>293,038</b>    | -                 |
| Loans from third parties – unsecured * | (b) |  |             | <b>26,334</b>     | 26,334            |
|  |     |  |             | <b>319,372</b>    | 26,334            |

(a) Balance of short-term loans for a total amount of \$1,185,339 borrowed from Andrew Goodall between December 2018 and March 2019, after the amount of \$892,301 was converted to equity in the non-refundable rights issue in March 2019.

(b) Remaining balance originated from a convertible note signed with Ms Chang Seow Ying Alison with a face value of \$387,765, converted into equity after resolutions approved in AGM held on 19 December 2014. The face value represented the original loan plus interests and the effect of foreign currency exchange translations accrued at 30 September 2014. The remainder of this loan relates to interest accrued from 1 October 2014 to the actual date of conversion 22 December 2014.

## 17. Tax liabilities

|   | <b>Note</b> | <b>2019</b><br>\$ | <b>2018</b><br>\$ |
|---|-------------|-------------------|-------------------|
| Office of State Revenue NSW – payroll tax |             | <b>7,131</b>      | 6,450             |
| Australian Taxation Office – GST          |             | <b>(19,733)</b>   | (14,681)          |
| Australian Taxation Office – PAYG         |             | <b>20,038</b>     | 18,377            |
|   |             | <b>7,436</b>      | 10,146            |

## 18. Provisions

|   | 2019<br>\$      | 2018<br>\$     |
|---|-----------------|----------------|
| <b>Current:</b>                               |                 |                |
| Provision for employee benefits - current     | <u>93,462</u>   | <u>89,186</u>  |
| <b>Non-current:</b>                           |                 |                |
| Provision for employee benefits – non-current | <u>29,366</u>   | <u>35,465</u>  |
| <b>Provision for employee benefits:</b>       |                 |                |
| Balance at beginning of year                  | 124,651         | 118,859        |
| Provision utilised                            | (50,133)        | (65,640)       |
| Recognised through profit or loss             | 70,061          | 71,432         |
| Paid as a redundancy payment                  | <u>(21,751)</u> | <u>-</u>       |
| Balance at end of year                        | <u>122,828</u>  | <u>124,651</u> |

## 19. Share capital

### a) Share capital

|                              | 2019<br>Shares     | 2018<br>Shares *   | 2019<br>\$        | 2018<br>\$        |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
| Ordinary Shares – fully paid | <u>550,133,718</u> | <u>340,588,613</u> | <u>43,424,091</u> | <u>40,095,314</u> |

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

|  | Note      | 2019<br>Shares     | 2018<br>Shares *   | 2019<br>\$        | 2018<br>\$        |
|--|-----------|--------------------|--------------------|-------------------|-------------------|
| Balance at beginning of year                         |           | 340,588,613        | 44,458,679         | 40,095,314        | 36,019,885        |
| Share issue under share placement                    |           | 23,333,333 *       | 125,640,212        | 350,000           | 1,884,603         |
| Share issue in lieu of consulting fees               |           | 4,000,000          | 5,141,752          | 80,000            | 75,552            |
| Share issue under non-renounceable entitlement offer |           | 117,430,058        | 30,647,917         | 2,348,591         | 459,719           |
| Share issue in lieu of director fees and expenses    | 23(f) (v) | -                  | 5,654,599          | -                 | 84,819            |
| Share issue in lieu of salaries                      | 23(f) (v) | -                  | 7,824,000          | -                 | 117,360           |
| Exercise of options                                  |           | 166,667            | -                  | 5,000             | -                 |
| Share issue on conversion of loans                   | 23 (v)    | <u>64,615,047</u>  | <u>121,221,454</u> | <u>1,292,301</u>  | <u>1,813,381</u>  |
|  |           | <u>550,133,718</u> | <u>340,588,613</u> | <u>44,171,206</u> | <u>40,455,319</u> |
| Less issue costs                                     |           |                    |                    | <u>747,115</u>    | <u>360,005</u>    |
| Balance at end of year                               |           | <u>550,133,718</u> | <u>340,588,613</u> | <u>43,424,091</u> | <u>40,095,314</u> |

\* The comparative period calculation and the shares issue under share placement in the current financial year have been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

*i) Ordinary Shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares attending the meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares do not have a par value.

*ii) Listed Options*

No listed share options were issued during the 2019 financial year (2018: nil).

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## 19. Share capital (continued)

### c) Unlisted Options

Set out in the table below are summaries of options issued, exercised and lapsed during the year.

| Grant date                                    | Expiry date       | Vesting commencement date | Exercise price * | Balance at start of year | Issued during the year | Exercised during the year | Lapsed / cancelled during the year | Balance at end of the year |
|---|-------------------|---------------------------|------------------|--------------------------|------------------------|---------------------------|------------------------------------|----------------------------|
| <b>Consolidated and parent entity – 2019:</b> |                   |                           |                  |                          |                        |                           |                                    |                            |
| 30 November 2016                              | 25 November 2019  | -                         | \$0.3000         | 266,667                  | -                      | -                         | -                                  | 266,667                    |
| 4 April 2017                                  | 31 December 2018  | -                         | \$0.0900         | 333,333                  | -                      | -                         | 333,333                            | -                          |
| 29 December 2017                              | 28 December 2019  | -                         | \$0.0300         | 14,731,467               | -                      | 166,667                   | -                                  | 14,564,800                 |
| 6 September 2018                              | 30 November 2019  | -                         | \$0.0300         | -                        | 6,666,667              | -                         | -                                  | 6,666,667                  |
| 28 March 2019                                 | 28 September 2021 | -                         | \$0.0332         | -                        | 20,000,000             | -                         | -                                  | 20,000,000                 |
| 28 March 2019                                 | 28 September 2021 | -                         | \$0.0332         | -                        | 18,204,457             | -                         | -                                  | 18,204,457                 |
| <hr/>   |                   |                           |                  |                          |                        |                           |                                    |                            |
| Total   |                   | -                         |                  | 15,331,467               | 44,871,124             | 166,667                   | 333,333                            | 59,702,591                 |

\* The exercise price has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

There are no options held by related parties.

No options have been issued or exercised post balance date.

The option holders have no rights under the option agreement to participate in any share issue.

## 20. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Refer to Note 3(a) of the financial statements for further details of the company's strategy for capital management.

## 21. Reserves

### Share options reserve

The share option reserve is used to recognise the fair value of the following options:

| Number of options   | Granted to                    | Granted on                        | Shareholder's Approval                          | Reserve amount \$ |
|---|-------------------------------|-----------------------------------|---|-------------------|
| 6,625,000   | Andrew Goodall                | AGM Dec '14                       | Approved by shareholder's AGM Dec '14           | 120,500           |
| 1,000,000   | Chang Seow<br>Ying Alison     | AGM Dec '14                       | Approved by shareholder's AGM Dec '14           | 22,560            |
| Total value of options granted at 30 June 2015                          |                               |                                   |   | 143,060           |
| 37,123,956  | Transocean Securities Pty Ltd | Private Placement Jan '16         | Approved by shareholder's AGM Nov '16           | 74,000            |
| 50,000,000  | Transocean Securities Pty Ltd | Rights Issue Apr '16              |   | 100,000           |
| 20,000,000  | Robert Gilmour                | Rights Issue Apr '16              | 4,000,000 approved by shareholder's AGM Nov '16 | 40,000            |
| 284,617,002   | Shareholders                  | Rights Issue Apr '16              | Approved by shareholder's AGM Nov '16           | 569,000           |
| Total value of options granted in the financial year ended 30 June 2016 |                               |                                   |   | 783,000           |
| 5,000,000   | Bridge Road Capital Pty Ltd   | Apr '17                           | Approved by shareholder's AGM Dec '17           | 10,000            |
| Total value of options granted in the financial year ended 30 June 2017 |                               |                                   |   | 10,000            |
| 220,971,876   | Patersons Securities Limited  | Underwriting Agreement Dec '17    |   | 79,550            |
| Total value of options granted in the financial year ended 30 June 2018 |                               |                                   |   | 79,550            |
| 6,666,667   | Patersons Securities Limited  | Completion \$1m placement Sep '18 |   | 24,200            |
| 38,204,458  | Patersons Securities Limited  | Rights Issue Mar '19              |   | 411,462           |
| Total value of options granted in the financial year ended 30 June 2019 |                               |                                   |   | 435,662           |
| Total value of options granted at 30 June 2019                          |                               |                                   |   | 1,451,272         |

In accordance with *Accounting Standard AASB2 'Share Based payments'*, the options were valued using the Black-Scholes valuation methodology. The fair value of each option is estimated on grant date with the following assumptions used:

- For the options granted to Paterson Securities Limited in September 2018 and March 2019:

|                         |       |
|-------------------------|-------|
| Dividend yield          | 0%    |
| Risk-free interest rate | 1.58% |
| Expected volatility     | 100%  |

## 22. Auditors' remuneration

| <i>Pitcher Partners</i>               | 2019<br>\$ | 2018<br>\$ |
|---------------------------------------|------------|------------|
| <b>Audit &amp; Assurance services</b> |            |            |
| Review of interim report              | 20,350     | 20,000     |
| Audit of financial report – year end  | 36,000     | 35,000     |
|                                       | <hr/>      | <hr/>      |
| Total remuneration for services       | 56,350     | 55,000     |
|                                       | <hr/>      | <hr/>      |

## 23. Related parties

### a) Parent and ultimate controlling party

Memphasys Limited (incorporated in Australia) is the ultimate parent entity.

### b) Detail of key management personnel

#### i. Directors

|                   |                        |
|-------------------|------------------------|
| Ms Alison Coutts  | Executive Chairman     |
| Mr Andrew Goodall | Non-Executive Director |
| Mr Marjan Mikel   | Non-Executive Director |

#### ii. Executives

|                 |                         |
|-----------------|-------------------------|
| Nick Gorrington | Chief Operating Officer |
| Pablo Neyertz   | Director of Finance     |

### c) Key management personnel compensation

The key management personnel compensation included:

|                              | 2019<br>\$ | 2018<br>\$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 527,600    | 492,037    |
| Post-employment benefits     | 34,204     | 32,850     |
|                              | <hr/>      | <hr/>      |
|                              | 561,804    | 524,887    |
|                              | <hr/>      | <hr/>      |

### d) Share based compensation - Options

Options remuneration has been calculated in accordance with the fair value measurements provisions of AASB 2 "Share Based Payments".

The amount of options remuneration is determined on a pro rata basis, by expensing the fair value estimate of each option over the vesting period and the individual option grant. The fair value of each option is estimated on grant date using Black-Scholes option pricing model. However, as there was no value vested for these options during the financial year, there was no share-based expense recognised in the Consolidated Statement of Profit and Loss.

## 23. Related parties (continued)

### e) Shareholding of directors

The numbers of shares in the company held during the financial year by each current Director, and executives of Memphasys Limited and its subsidiaries are set out below. There were no shares granted during the reporting period as director compensation.

| Directors & their shareholding | Balance as at<br>1 July 2018 | Net<br>movement   | Director<br>resigned | Balance as at 30<br>June 2019 |
|--------------------------------|------------------------------|-------------------|----------------------|-------------------------------|
| Alison Coutts (a)              | 58,992,217                   | 20,632,921        | -                    | 79,625,138                    |
| Andrew Goodall (b)             | 88,230,093                   | 46,111,890        | -                    | 134,341,983                   |
| Marjan Mikel (c)               | 1,000,000                    | 7,475,000         | -                    | 8,475,000                     |
| <b>Total</b>                   | <b>148,222,309</b>           | <b>74,219,811</b> | <b>-</b>             | <b>222,442,120</b>            |

The number of shares has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

- (a) Alison Coutts' shareholding comprises 78,726,377 shares held directly and 898,761 held indirectly.  
(b) Andrew Goodall's shareholding comprises 133,649,743 shares held directly, and 692,240 shares held indirectly.  
(c) Marjan Mikel's shareholding comprises 3,975,000 shares held directly and 4,500,000 held indirectly.

| Directors & their shareholding | Balance as at<br>1 July 2017 | Net<br>movement    | Director<br>resigned | Balance as at 30<br>June 2018 |
|--------------------------------|------------------------------|--------------------|----------------------|-------------------------------|
| Alison Coutts (a)              | 265,881                      | 58,726,336         | -                    | 58,992,217                    |
| Andrew Goodall (b)             | 16,006,840                   | 72,223,253         | -                    | 88,230,093                    |
| John Pereira #                 | 73,333                       | -                  | (73,333)             | -                             |
| Marjan Mikel * (c)             | -                            | 1,000,000          | -                    | 1,000,000                     |
| <b>Total</b>                   | <b>16,346,054</b>            | <b>131,949,589</b> | <b>(73,333)</b>      | <b>148,222,309</b>            |

\* Director appointed during the year. # Director resigned during the year.

The number of shares has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

- (a) Alison Coutts' shareholding comprises 58,726,377 shares held directly and 265,840 held indirectly.  
(b) Andrew Goodall's shareholding comprises 87,768,600 shares held directly, and 461,493 shares held indirectly.  
(c) Marjan Mikel's shareholding comprises 1,000,000 shares held indirectly.

### f) Other transactions with key management personnel and related parties

- i) At 30 June 2019, payables to related parties were as follows:

|                                      | 2019<br>\$    | 2018<br>\$    |
|--------------------------------------|---------------|---------------|
| Andrew Goodall director fees         | 4,584         | 4,167         |
| Andrew Goodall reimburse of expenses | -             | 712           |
| Alison Coutts superannuation         | 5,133         | 5,012         |
| Pablo Neyertz reimburse of expenses  | 1,766         | 1,054         |
| Pablo Neyertz superannuation         | 2,874         | 2,874         |
| Marjan Mikel director fees           | 4,167         | 3,288         |
|                                      | <b>18,524</b> | <b>17,107</b> |

23. Related parties (continued)

f) Other transactions with key management personnel

ii) Loans (principal and interest) payable to related parties:

|                   |     | 2019<br>\$     | 2018<br>\$     |
|-------------------|-----|----------------|----------------|
| Current balances: |     |                |                |
| Andrew Goodall    | (a) | 293,038        | -              |
| Alison Coutts     |     | -              | 471,736        |
| <b>Total</b>      |     | <b>293,038</b> | <b>471,736</b> |

| Loan ref | Currency | Interest rate | Maturity | Security  |
|----------|----------|---------------|----------|-----------|
| a)       | AUD      | 0%            | At call  | Unsecured |

iii) Interest paid on financial liabilities with related parties:

|                           | 2019<br>\$     | 2018<br>\$   |
|---------------------------|----------------|--------------|
| Alison Coutts             | 101,196 *      | 1,593        |
| Marjan Mikel              | 2,400          | -            |
| Goodall Family Super Fund | -              | 1,661        |
|                           | <b>103,596</b> | <b>3,254</b> |

\* Interest accrued on amounts withdrawn from line of credits from December 2016.

iv) Loans converted into shares:

|                                    | Number of shares  |                   | Converted loan balance |                  |
|------------------------------------|-------------------|-------------------|------------------------|------------------|
|                                    | 2019              | 2018 *            | 2019<br>\$             | 2018<br>\$       |
| Andrew Goodall and related parties | 44,615,047        | 45,071,000        | 892,301                | 676,065          |
| Alison Coutts and related parties  | 20,000,000        | 50,955,869        | 400,000                | 764,338          |
| <b>Total</b>                       | <b>64,615,047</b> | <b>96,026,869</b> | <b>1,292,301</b>       | <b>1,440,403</b> |

\* The comparative period calculation has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

## 23. Related parties (continued)

v) Salaries, director fees, director fees expenses and consulting fees converted into shares:

|                                   | Number of shares |                   | Converted amount |                |
|-----------------------------------|------------------|-------------------|------------------|----------------|
|                                   | 2019             | 2018 *            | 2019<br>\$       | 2018<br>\$     |
| Alison Coutts – salaries          | -                | 7,268,133         | -                | 109,022        |
| Alison Coutts – travel expenses   | -                | 502,333           | -                | 7,535          |
| Andrew Goodall – director fees    | -                | 4,083,333         | -                | 61,250         |
| Andrew Goodall – travel expenses  | -                | 1,068,933         | -                | 16,034         |
| Pablo Neyertz – incentive payment | -                | 555,867           | -                | 8,338          |
| <b>Total</b>                      | <b>-</b>         | <b>13,478,599</b> | <b>-</b>         | <b>202,179</b> |

\* The comparative period calculation has been adjusted on 15:1 basis for the share consolidation on 17 August 2018.

## g) Other transactions with companies and related parties in the group

Transactions between Memphasys Limited and other entities in the wholly-owned group during the year ended 30 June 2019 consisted of loans advanced by Memphasys Limited to its controlled entity Feronia Fertility Pty Ltd for the amount of \$1,566,546 (2018: \$724,856).

## 24. Controlled entities

| Name of entity            | Country of Incorporation | Class of share | Equity Holding |           |         |
|---------------------------|--------------------------|----------------|----------------|-----------|---------|
|                           |                          |                | 2019<br>%      | 2018<br>% |         |
| Feronia Fertility Pty Ltd | Australia                | Ordinary       | 100            | 100       |         |
| KaoSep Inc.               | United States            | Ordinary       | 100            | 100       | Dormant |
| MemSep Pty Ltd            | Australia                | Ordinary       | 100            | 100       | Dormant |
| InqSep Inc.               | United States            | Ordinary       | 100            | 100       | Dormant |
| Kaogen Pty Ltd            | Australia                | Ordinary       | 100            | 100       | Dormant |

## 25. Financial risk management policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and loans to its subsidiary.

### a) Credit risk exposures

The carrying amounts of financial assets included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. In the current financial year, the Group has been focused on its R&D program and has not operated with clients having no trade and other receivable balances at the end of the year. Therefore, there is no exposure to credit risk.

### b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing regular rolling cash flow forecasts in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- monitoring the maturity profile of financial liabilities with the realisation profile of financial assets.

## 25. Financial risk management policies (continued)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that finance facilities will be rolled forward.

|                                  | Within one year  |                | One to five years |               | Total            |                |
|----------------------------------|------------------|----------------|-------------------|---------------|------------------|----------------|
|                                  | 2019             | 2018           | 2019              | 2018          | 2019             | 2018           |
|                                  | \$               | \$             | \$                | \$            | \$               | \$             |
| <b>Financial liabilities:</b>    |                  |                |                   |               |                  |                |
| Trade & other payables           | 308,618          | 222,428        | -                 | -             | 308,618          | 222,428        |
| Interest bearing liabilities     |                  | 471,736        | -                 | -             | -                | 471,736        |
| Non-interest bearing liabilities | 319,372          | 26,334         | -                 | -             | 319,372          | 26,334         |
| Lease liabilities                | 3,768            | 3,552          | 2,975             | 6,746         | 6,743            | 10,298         |
| Tax liabilities                  | 7,436            | 10,146         | -                 | -             | 7,436            | 10,146         |
| <b>Expected outflows</b>         | <b>639,194</b>   | <b>734,196</b> | <b>2,975</b>      | <b>6,746</b>  | <b>642,169</b>   | <b>740,942</b> |
| <b>Financial assets:</b>         |                  |                |                   |               |                  |                |
| Cash & cash equivalents          | 873,573          | 201,807        | -                 | -             | 873,573          | 201,807        |
| Other assets                     | 5,290            | 5,172          | 42,750            | 42,750        | 48,040           | 47,922         |
| Tax receivables                  | 1,103,264        | 592,734        | -                 | -             | 1,103,264        | 592,734        |
| <b>Expected inflows</b>          | <b>1,982,127</b> | <b>799,713</b> | <b>42,750</b>     | <b>42,750</b> | <b>2,024,877</b> | <b>842,463</b> |
| <b>Net expected cash flow</b>    | <b>1,342,933</b> | <b>65,517</b>  | <b>39,775</b>     | <b>36,004</b> | <b>1,382,708</b> | <b>101,521</b> |

### c) Market risk

#### i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. As at 30 June 2019 the Company has no interest-bearing liabilities, therefore the Group is not exposed to interest rate risk.

#### ii) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. In the current financial year, the Group has not operated internationally and has no assets and liabilities in foreign currencies at the end of the period. Therefore, there is no exposure to foreign exchange risk.

## 26. Capital and leasing commitments

### a) Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities are:

- To pay Hydrix Pty Ltd for the final stage of the design and product development of the clinical Felix system. The outstanding amount of the contract is \$692,500 and its expected completion is November 2019.
- Engaged W&S Plastics Pty Ltd to manufacture and assemble Felix disposable cartridges. The total amount of the contract related to capital commitments is \$542,000. The different stages and timing of the project are as follows:
  - \$312,000 on the prototype tooling phase estimated to finalise in September 2019, and
  - \$230,000 for the final tooling phase to be done in March 2022.

### b) Operating lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payables:

Within one year

Later than one year but not later than 5 years

| 2019           | 2018    |
|----------------|---------|
| \$             | \$      |
| <b>155,320</b> | 155,320 |
| <b>147,123</b> | 304,600 |
| <b>302,443</b> | 459,920 |

At 30 June 2019 the Group had one operating lease for its production and commercial properties in Australia. This is a non-cancellable lease and has a remaining non-cancellable lease term of 23 months. In December 2018 the Group signed with the lessor a deed of variation to the lease agreement adding an option to renew the lease for a further two (2) terms of three (3) years each, being the first term from 1 June 2021 expiring 31 May 2024, and the second term from 1 June 2024 expiring 31 May 2027.

### c) Finance lease commitments

Commitments in relation to finance leases contracted for at the reporting date recognised as liabilities, payables:

Within one year

Later than one year but not later than 5 years

| 2019         | 2018   |
|--------------|--------|
| \$           | \$     |
| <b>4,260</b> | 4,260  |
| <b>2,958</b> | 7,278  |
| <b>7,218</b> | 11,538 |

Total lease commitment

Less lease commitment - interest component

Lease commitment – principal component

|              |        |
|--------------|--------|
| <b>7,218</b> | 11,538 |
| <b>475</b>   | 1,240  |
| <b>6,743</b> | 10,298 |

At 30 June 2019 the Group had one finance lease for purchase of telephone equipment. The remaining lease term is 20 months.



**d) Available credit facility**

The Company has a \$200,000 line of credit facility from the Executive Chairman, Alison Coutts. The full amount of the facility remains available for draw down at date of this report.

**27. Events after Balance Date**

The following events occurred subsequent to 30 June 2019:

- On 12 July 2019 the Company received the first tranche of the placement of shares organised by its corporate finance advisors, Patersons Securities Limited, for the amount of \$1,516,533 net of brokerage fees. The second tranche of this placement, for an amount of \$2,138,490 net of brokerage fees and net of debt of \$293,038 to be converted to equity by Andrew Goodall, is estimated to be received at the end of September 2019.
- On 29 July 2019 the Company lodged the R&D tax claim for an amount of \$1,103,264 which was approved by AusIndustry on 2 August 2019 and is expected to be received from the ATO in September 2019.

**28. Company Details**

The registered office and principal place of business of the company is:  
30 Richmond Road  
Homebush, NSW 2140  
Australia

**Directors' Declaration**

1. In the opinion of the directors of Memphasys Limited ('the Company'):
  - (a) the consolidated financial statements and notes that are set out on pages 17 to 47 and the Remuneration Report on pages 10 to 15 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive chairman and finance director for the financial year ended 30 June 2019.
3. The directors draw attention to Note 2(a) to the consolidated financial statements which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Alison Coutts  
Chairman

Sydney  
26 August 2019

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](mailto:sydneypartners@pitcher.com.au)

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MEMPHASYS LIMITED  
ABN 33 120 047 556**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Memphasys Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* "the Code" that are relevant to our audit of the 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter   | How our audit addressed the key audit matter   |
|--|--|
| <p>Going Concern<br/><i>Refer to Note 3(a) of the Significant accounting policies.</i></p> <p>For the year ended 30 June 2019, the Group incurred a net loss for the year ended 30 June 2019 of \$1,044,578, had net cash outflows from operating activities of \$707,472 and investing activities of \$2,123,685, had net assets of \$6,071,441 and working capital of \$1,420,952.</p> <p>The Directors have prepared the financial report on a Going Concern basis taking into consideration the forecast cash flows for the following twelve months including the receipt of the R&amp;D tax incentives, available working capital facilities and future capital raisings.</p> <p>The cash flow forecast includes significant judgements, assumptions and estimates.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluation of the design and operating effectiveness of controls in place in respect to the preparation of the budgets and cash forecasts.</li> <li>• Reviewing and challenging the key judgements, assumptions and estimates used in the cash flow forecast approved by the Directors.</li> <li>• Checking the mathematical accuracy of the cash flow forecast.</li> <li>• Applying sensitivities to the Directors' cash flow forecast to determine the extent of changes necessary to result in the Group not having sufficient resources to meet its forecast liabilities as they fall due for a period of 12 months from the date of this report.</li> <li>• Examining agreements in respect of the unused working capital facilities and determining the ability to draw down on these in the next 12 months.</li> <li>• Assessing the adequacy of financial statements disclosures.</li> </ul> |
| <p>Impairment assessment of intangible assets<br/><i>Refer to Note 13 Intangible Assets</i></p> <p>At 30 June 2019 the statement of financial position includes intangible assets amounting to \$4,655,316 that primarily relates to the Felix project.</p> <p>We have identified this as a key audit matter due to significant judgements and assumptions relating to future performance of the Felix project. There is also lack of historical cash flows as the</p>   | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluation of the design and operating effectiveness of controls in place in respect of costs capitalised to intangible assets.</li> <li>• Discussions with management and the Company's Head of the Scientific Advisory Board to gain an understanding on the progress of the development of the Felix project, whether any new risks have</li> </ul>  |



intangible asset is yet to be commercialised. As disclosed in Note 13, the Group intends to advance commercialisation of Felix device in the coming year.

Management use judgement to determine that the development costs included in the carrying value of the intangible asset meet the criteria for capitalisation. These criteria include assessing whether the product being developed is commercially feasible, whether the Group has adequate technical, financial and other required resources to complete the development and whether the costs will be fully recovered through future commercialisation.

been identified and future plans and timing for commercialisation.

- Gaining an understanding of the Felix project and associated costs incurred to-date and testing a sample of capitalised expenses to supplier invoices and assessing reasonableness of management's allocation of payroll costs to the project.
- Using this understanding, evaluating management's assessment of whether the development costs associated with the Felix project met the criteria for capitalisation in accordance with accounting policies and Australian Accounting Standards.
- Performing an analysis of management's assessment of the commercial feasibility and that the future economic benefits will be greater than the sum of development costs at reporting date plus future development costs to commercialise.
- Assessing the adequacy of financial statements disclosures.

Recognition of R&D tax incentive  
*Refer to Note 11 in the Notes to the Financial Statements.*

At 30 June 2019, the statement of financial position includes R & D receivable amounting to \$1,103,264.

This area is a key audit matter due to the judgements and assumptions that is involved in the Group make in relation to the calculation and recognition of the R&D tax incentive income and receivable.

Our procedures included, amongst others:

- Making enquiries with management to obtain and document an understanding of their process to calculate the R&D tax incentive.
- Evaluation of management's processes and controls to determine if they appropriately address the risks.
- Obtaining the work of the client's expert and the calculations prepared and agreeing amounts claimed to supporting documentation.
- Reviewing historical reliability of estimates and budgets to support the reliability of the estimate.
- Involving our specialists to perform a review of the calculation to determine eligibility of costs claimed.
- Assessing the adequacy of financial statements disclosures.

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Directors Report and Shareholder Information which were obtained as at date of our audit report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Memphasys Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



M A GODLEWSKI  
Partner  
27 August 2019



PITCHER PARTNERS  
Sydney

## Shareholder information

The shareholder information set out below was applicable as 16 August 2019.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| Holdings Ranges        | Holders      | Total Units        | Percentage     |
|------------------------|--------------|--------------------|----------------|
| 1-1,000                | 456          | 85,097             | 0.014          |
| 1,001-5,000            | 134          | 360,268            | 0.058          |
| 5,001-10,000           | 95           | 755,922            | 0.122          |
| 10,001-100,000         | 420          | 18,096,432         | 2.917          |
| 100,001-99,999,999,999 | 347          | 600,980,927        | 96.889         |
| <b>Totals</b>          | <b>1,452</b> | <b>620,278,646</b> | <b>100.000</b> |

### B. Equity security holders

#### Twenty largest quoted equity security holders

The name of the twenty largest holders of quoted equity securities are listed below:

| Holder Name   | Ordinary shares |                             |
|---|-----------------|-----------------------------|
|   | Number Held     | Percentage of shares issued |
| MR ANDREW ERNEST GOODALL                                | 133,849,743     | 21.579%                     |
| PETERS INVESTMENTS PTY LTD                              | 131,666,667     | 21.227%                     |
| MS ALISON COUTTS  | 78,726,377      | 12.692%                     |
| MR ALLAN GRAHAM JENZEN & MRS ELIZABETH JENZEN           | 14,035,000      | 2.263%                      |
| NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>          | 11,275,000      | 1.818%                      |
| MR ADAM STUART DAVEY <THE DAVEY INVESTMENT A/C>         | 10,400,000      | 1.677%                      |
| MR DUNCAN GERARD GOWANS & MRS JODIE LOUISE GOWANS       | 10,000,000      | 1.612%                      |
| MR JOHN AITKEN  | 7,527,840       | 1.214%                      |
| SCINTILLA STRATEGIC INVESTMENTS LIMITED                 | 4,500,000       | 0.725%                      |
| ASSERT CORPORATE & INVESTOR RELATIONS PTY LTD           | 4,320,000       | 0.696%                      |
| MRS VIVIANA INES MESSINA                                | 4,000,000       | 0.645%                      |
| MONASH IVF GROUP LIMITED                                | 4,000,000       | 0.645%                      |
| MR MARJAN MIKEL   | 3,975,000       | 0.641%                      |
| ROWLINGS SUPER FUND PTY LTD <THE ROMAN FUTURES S/F A/C> | 3,941,493       | 0.635%                      |
| BEIRNE TRADING PTY LTD                                  | 3,745,000       | 0.604%                      |
| PIPERLAKE PTY LTD <SERTORIO FAMILY ACCOUNT>             | 3,483,215       | 0.562%                      |
| MR ADAM STUART DAVEY & MRS MARISA DAVEY                 | 3,000,000       | 0.484%                      |
| B ARTHUR PTY LTD <BARRY ARTHUR SUPER FUND A/C>          | 3,000,000       | 0.484%                      |
| MIKEL ENTERPRISES PTY LTD <NOTRE MAISON SUPER FUND A/C> | 3,000,000       | 0.484%                      |
| WINDAMURAH PTY LTD <ATKINS SUPER FUND A/C>              | 2,840,212       | 0.458%                      |
| Total Securities of Top 20 Holdings                     | 441,285,547     | 71.143%                     |
| Total of Securities                                     | 620,278,646     |                             |



## Shareholder information

### C. Substantial Shareholders as at 16 August 2019

Ordinary shares

| Holder Name                | Number Held | Percentage |
|----------------------------|-------------|------------|
| MR ANDREW ERNEST GOODALL   | 133,849,743 | 21.579%    |
| PETERS INVESTMENTS PTY LTD | 131,666,667 | 21.227%    |
| MS ALISON COUTTS           | 78,726,377  | 12.692%    |

### D. Unquoted Equity Securities

|   | Number on Issue | Number of Holders |
|---|-----------------|-------------------|
| Memphasys Limited Directors, Employee and Consultants Option Plan | -               | -                 |
|   | -               | -                 |

### E. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary Shares

On a show of hands, one vote for every member or proxy of a member present and entitled to vote. On a poll, every member shall have one vote for each fully paid share held.

b) Options

No voting rights.

## Corporate Directory

**Memphasys Limited**  
**ABN 33 120 047 556**

### Directors

|                |   |
|----------------|---|
| Alison Coutts  | Executive Chairman                              |
| Andrew Goodall | Non-Executive Director                          |
| Marjan Mikel   | Non-Executive Director                          |
| Shane Hartwig  | Non-Executive Director (Appointed 31 July 2019) |

### Company Secretary and

Andrew Metcalfe  
Accosec Pty Ltd  
Suite 3, Level 2, 470 Collins Street  
Melbourne, VIC 3000

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney, NSW 2000

### Registered Office

30 Richmond Road  
Homebush, NSW 2140  
Australia

Tel: 61 2 8415 7300  
Fax: 61 2 8415 7399  
Email: [info@memphasys.com](mailto:info@memphasys.com)  
Website: [www.memphasys.com](http://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