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20 October 2021

SEPTEMBER 2021 QUARTERLY ACTIVITY REPORT AND APPENDIX 4C – MEMPHASYS LIMITED (ASX: MEM)

Memphasys Limited ('**Memphasys**' or the '**Company**') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2021 ('**Q1**'), along with the following update.

Business activities in the September Quarter (Q1)

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

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

There was no change in the activities of the Company during Q1. The Company continued spending on R&D projects, staff and consultants at the same pace as it did in the previous quarter. Net cash from operating activities in Q1 includes the annual renewal of D&O insurance, and receipt of the first instalment of the cash reimbursement from Hydrix Ltd ('Hydrix') as per the terms of the Deed of Release between Memphasys and Hydrix which was the subject of the ASX release made on 1 September 2021.

Other administration and corporate costs of $344k includes payment of $38k in non-executive director fees, and salary of $87.5k paid to the Executive Chairman reported in staff costs, are consistent with the previous quarter.

Material Developments

On 5 July 2021, Memphasys announced the appointment as Scientific Director of globally renowned andrology expert Professor John Aitken.

On 1 September 2021, the Company announced that it had entered a settlement agreement with its engineer and design partner Hydrix Services Pty Ltd concerning the engineering flaw with the Felix device announced in March this year. Details of the agreement can be found in the above-mentioned announcement.

On 20 September 2021, the company issued an update on the progress of the R&D projects being undertaken by Professor John Aitken's research group at the University of Newcastle. It was reported that:

- The stallion dismount fertility diagnostic prototype (SAMSON) was approaching product finalisation;
- The SAMSON's diagnostic potential to be field tested during September-November 2021 Australian horse breeding season; and
- The semen long-life storage media, new sperm separation devices and sperm oxidative stress diagnostics were also making progress.

Memphasys Limited
30-32 Richmond Road
Homebush West, NSW 2140

Postal Address
P.O. Box 2202
Homebush West, NSW 2140

Contact Details
P +612 8415 7300

E info@memphasys.com
W memphasys.com
ABN 33 120 047 556

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- As previously advised, validation activities on the Felix™ device were slowed down by covid-19 supply chain delays and could not be completed by end of September '21. The two outstanding tests are now well underway and should be completed by the end of October '21.

This announcement was approved by the Board of Memphasys.

For further information, please contact:
Memphasys Limited
Alison Coutts
Executive Chairman
(02) 8415-7300

About Memphasys:

Memphasys Limited **(ASX: MEM)** specialises in biological separations and reproductive biotechnology for high value commercial applications.

Reproductive biotechnology products in development include medical devices, in vitro diagnostics, and new proprietary media.

The Company's patented bio-separation technology, utilised by the Company's most advanced product, the Felix™ device, combines electrophoresis with proprietary size exclusion membranes to separate the most viable sperm cells for human artificial reproduction.

Website: www.memphasys.com

Appendix 4C

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

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Name of entity	
Memphasys Limited	
ABN	**Quarter ended ("current quarter")**
33 120 047 556	30 September 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(320)	(320)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	(58)	(58)
	(e) staff costs	(484)	(484)
	(f) administration and corporate costs	(344)	(344)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	20	20
1.8	Other (first instalment reimbursement amount received from Hydrix)	125	125
1.9	**Net cash from / (used in) operating activities**	**(1,060)**	**(1,060)**

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

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

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,076	1,076
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(26)	(26)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,050**	**1,050**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**2,003**	**2,003**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	**(1,060)**	**(1,060)**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	**-**	**-**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	**1,050**	**1,050**
4.5	Effect of movement in exchange rates on cash held	**-**	**-**
4.6	**Cash and cash equivalents at end of period**	**1,993**	**1,993**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	**1,993**	**2,003**
5.2	Call deposits	**-**	**-**
5.3	Bank overdrafts	**-**	**-**
5.4	Other (provide details)	**-**	**-**
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,993**	**2,003**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	125
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	**(1,060)**
8.2	Cash and cash equivalents at quarter end (item 4.6)	**1,993**
8.3	Unused finance facilities available at quarter end (item 7.5)	**-**
8.4	Total available funding (item 8.2 + item 8.3)	**1,933**
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**1.88**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes, the entity expects to continue to develop its portfolio of products at a similar rate of spending.

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

Answer: Company received $1.36m from the R&D Tax Incentive Scheme in October 2021. These funds plus the current cash reserves are considered sufficient to allow the Company to fund its operations to March 2022, based upon projected forecast expenditure.

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

Answer: Yes. The business expects to be able to continue its operations and meet its business objectives on the basis it has the necessary licences, agreements, technical and commercial personnel in place to ensure the Company continues to advance its portfolio of products under development, and in particular, the commercial development of the Felix Device.

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

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 20 October 2021

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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