Appendix 4D

Half year report

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

Half year ended ('current period')	Half year ended ('previous corresponding period')
31 December 2017	31 DECEMBER 2016

Results for announcement to the market

				$A'000
Sales from continuing operations	**Remained**	**0%**	**to**	**0**
Gross profit from continuing operations	**Remained**	**0%**	**to**	**0**
Profit from continuing activities after tax attributable to members	**Up**	**104%**	**to**	**34**
Net Profit for the period attributable to members	**Up**	**104%**	**at**	**34**

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

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

Brief explanation of any of the figures reported above:

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

NTA backing	**31 December 2017**	31 December 2016
Net tangible asset backing per ordinary security	**0.0001 dollars**	(0.0037) dollars

Audit/Review Status

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

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

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

The review report is an unqualified review opinion with an emphasis of matter on going concern.

Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556

Interim Financial Report
for the half-year ended 31 December 2017

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Directors' Report

The Directors submit their report for the consolidated entity consisting of Memphasys Limited (MEM) and its controlled entities for the half-year ended 31 December 2017.

Directors

The names of the Directors of Memphasys Limited (Memphasys) in office at any time during or since the end of the interim period are:

Ms Alison Coutts	Executive Chairman
Mr Andrew Goodall	Non-Executive Director
Mr John Pereira	Non-Executive Director

PRINCIPAL ACTIVITIES

Memphasys' platform technology enables efficient and cost effective separation of valuable cells and proteins from biological fluids utilising its proprietary, patented hydrogel membranes and electrophoresis processes.

The Felix Device

Memphasys is accelerating the development and commercialisation of the Felix device, its unique product with patented IP to address male factor infertility.

Over the past half year MEM has made great advances towards commercialising this product.

With the input of manufacturing partner, Hydrix, MEM made five initial re-usable cartridges which are ideal for research use. MEM and our research partner, the University of Newcastle under the guidance of Prof John Aitken, thoroughly tested the cartridges using fresh human semen and optimised the operating parameters in preparation for developing the next generation device which will have single-use disposable cartridges. We also commenced engagement with the IVF researchers and clinicians at UNSW to obtain their input on the design of this next generation device.

We demonstrated that these reusable cartridges successfully separate the most viable sperm from a semen sample from healthy human males in around 5 minutes. In comparison, current sperm selection processed such as Density Gradient Centrifuge (used for IVF and IUI) and Swim Up (used for ICSI) are slow, laborious laboratory processes that can take up to 40 minutes to complete and they do not necessarily harvest the most viable sperm with least DNA damage.

Assisted Reproduction Applications for Animals

The University of Newcastle researchers successfully demonstrated that the Felix re-usable cartridges were able to successfully and efficiently process fresh equine semen to provide a harvest of the most viable equine sperm. MEM plans to develop a device specifically for equine IVF and artificial insemination after it has completed the development of the next generation, human IVF disposable cartridge device.

MEM has also maintained its collaboration with Minitube GmbH ("Minitube"), the largest provider of animal ART products globally. With Minitube we have established that our technology is able to select viable sperm from fresh bovine semen.

Membrane Technology Development

Memphasys has continued to work on the scaling up of its internal membrane production capability in anticipation of supplying large numbers of cartridges containing these membranes for *in-vitro* testing of the next generation Felix device by approximately 15 world-leading IVF clinics.

Memphasys is also undertaking a formal review process to critically analyse potential market opportunities of other bio-separations against its technical capabilities. The University of Melbourne

Chemical and Biomolecular Engineering Department will provide critical technical input to any new chosen bio-separations and the Company has maintained its strong links with this department.

REVIEW OF OPERATIONS

Over the past half year the Company resolved all former litigation issues. On 27 July 2017 it announced that it had successfully concluded mediation with Prime Biologics Pte Ltd and Pulau Manukan Ventures Labuan Ltd and that it had reached full settlement on all outstanding disputes with these parties. Full settlement occurred on 27 September 2017 and the $250,000 debt plus interest owed to Crescendas was also announced as settled.

On 8 September 2017 the Company announced that the litigation against Transocean Securities Pty Ltd was resolved through mediation.

The work on the Felix device was recognised by the NSW Department of Health, which has provided a special $400,000 grant for furthering the commercialisation of the device in the human IVF field.

Over the past half year directors continued to provide funds to the Company. In addition, corporate advisors, Patersons Securities, provided further funding through the management of a convertible note issue and of a rights issue and placement. This latest fund raising provided approximately $1,500,000 of fresh funds and the conversion of various director and other debts which strengthened the Company's Statement of Financial Position and enabled the Company to focus on the development of its first commercial product, the Felix device for IVF.

Board and management

There were no changes to the board or management during the half year period.

Financial performance

As part of the resolution of the legal dispute with PrIME Biologics Pte Ltd ("PrIME") and Pulau Manukan Ventures ("Manukan") during the half year, Memphasys no longer holds the B class shares in PrIME nor the debt that Memphasys took over when it spun out PrIME. Due to this event and also due to the capital raising program in December 2017, Memphasys reached a healthy financial position in the current reporting period.

At 31 December 2017, the Group had a net working capital of $437,051 (30 June 2017: deficiency $2,356,669), and a cash balance of $1,442,635 (30 June 2017: $2,349).

Also due to the derecognition of the B class shares and the debt related to the PrIME spin out, Memphasys reached a one-off net gain on settlement of debt of $896,232 which had a positive impact on the bottom line for the Group. The net result is a profit of $32,502 for the half-year ended 31 December 2017 (2016: net loss of $932,447).

Other substantial items impacting the bottom line were:

On the positive side:

- General and administration expenses reduced by 29% (from $771,993 to $550,758) mainly due to the reduction in legal fees by 85% (from $418,073 to $60,475) partially offset by share options expenses of $79,550 in the half-year ended 31 December 2017.
- Discontinued loss making operation (sale of the gels business) was finalised in the half-year ended 31 December 2016.

On the negative side:

- Finance cost expenses increased by 630% (from $29,918 to $218,425) due largely to interest on debt for the Group. However, interest-bearing debt has now decreased substantially after the debt was converted to equity through the December 2017 capital raising program. This decrease will be reflected in the Statement of Profit and Loss in the second half of the current financial year.
- R&D expenses (after part of them were capitalised) increased by 95% (from $85,164 to $166,481) due to more work done on a membrane bio-separation project, which is still in "research" stage and as a result unable to be capitalised.

The Group received from the Australian Taxation Office a R&D grant of $431,529 during the period (2016: $497,355) and it also received a special grant of $400,000 from the New South Wales Medical Device Fund.

Overall, the Group had operating cash outflows of $19,099 for the half-year ended 31 December 2017 (2016: net cash outflows of $621,851).

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

Outlook for 2018

Over the next few months, we will be designing and then starting to build the next generation Felix device for *in-vitro* assessment by around 15 leading IVF centres globally. We expect it will take about 12 months to complete the build of the next device in readiness for *in-vitro* testing with these globally recognised centres. The plan is to then run the in-vitro testing which should take around 6 months and to obtain endorsement and early adoption by the Key Opinion Leaders in these centres. These Key Opinion Leaders are expected to write publications. Reports of the testing by the Key Opinion Leaders are expected to favourably coincide with the market launch of the Felix product.

We also expect to report on the selection of our next bio-separation application and to continue to develop the animal assisted reproduction product, with initial focus on equine IVF and artificial insemination.

Rounding of amounts

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year is set out on page 18 of this report.

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

Alison Coutts
Executive Chairman

Sydney
23 February 2018

Memphasys Limited and its Controlled Entities

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017

	Note	**Half-year 31 December 2017 $**	Half-year 31 December 2016 $
Continuing operations			
Other Revenue			
Grant income		**72,317**	37,046
Other income		**617**	14,747
Net gain on settlement of debt	5	**896,232**	-
General and administration expenses		**(550,758)**	(771,993)
Research and development expenses		**(166,481)**	(85,164)
Finance cost expenses		**(218,425)**	(29,918)
Profit (loss) before income tax		**33,502**	(835,282)
Income tax expense		**-**	-
Profit (loss) after tax from continuing operations		**33,502**	(835,282)
Discontinued Operation			
Loss from discontinued operation, net of tax		**-**	(97,165)
Net profit (loss) for the year attributable to members of parent		**33,502**	(932,447)
Other comprehensive profit (loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange translation differences of foreign subsidiaries' accounts		**-**	-
Total other comprehensive profit (loss) for the period		**-**	-
Total comprehensive profit (loss) for the period		**33,502**	(932,447)
Earnings per share (EPS)		**Dollar/share**	Dollar/share
– Basic loss per share		**(0.00)**	(0.0016)
– Diluted loss per share		**(0.00)**	(0.0016)
Earnings per share - continuing operations		**Dollar/share**	Dollar/share
– Basic loss per share		**(0.00)**	(0.0015)
– Diluted loss per share		**(0.00)**	(0.0015)

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

Memphasys Limited and its Controlled Entities

Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	As at 31 December 2017 $	As at 30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		**1,442,635**	2,349
Trade and other receivables		**-**	52,769
Other current assets		**238,037**	424,108
Financial assets		**-**	3,824,888
TOTAL CURRENT ASSETS		**1,680,672**	4,304,114
NON-CURRENT ASSETS			
Property, plant and equipment	7	**30,932**	41,281
Intangible assets	8	**2,896,168**	2,956,295
TOTAL NON-CURRENT ASSETS		**2,927,100**	2,997,576
TOTAL ASSETS		**4,607,772**	7,301,690
CURRENT LIABILITIES			
Trade and other payables		**399,350**	822.000
Interest bearing liabilities	9	**562,182**	5,714,322
Non-interest bearing liabilities		**26,334**	26,334
Unacquitted grant	10	**147,555**	-
Lease liabilities		**3,450**	4,260
Tax liabilities (assets)		**8,327**	(2,780)
Short-term provisions		**96,423**	96,647
TOTAL CURRENT LIABILITIES		**1,243,621**	6,660,783
NON-CURRENT LIABILITIES			
Lease liabilities		**8,549**	9,391
Interest bearing liabilities	9	**149,714**	1,011,544
Long-term provisions		**25,175**	22,212
TOTAL NON-CURRENT LIABILITIES		**183,438**	1,043,147
TOTAL LIABILITIES		**1,427,059**	7,703,930
NET ASSETS (LIABILITIES)		**3,180,713**	(402,240)
EQUITY			
Issued capital	11	**39,489,786**	36,019,885
Reserves		**1,015,610**	936,060
Accumulated losses		**(37,324,683)**	(37,358,185)
TOTAL EQUITY (DEFICIENCY)		**3,180,713**	(402,240)

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

Memphasys Limited and its Controlled Entities

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Note	Issued capital $	Share options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017		**36,019,885**	**936,060**	**(37,358,185)**	**(402,240)**
Profit for the period		-	-	33,502	33,502
Total comprehensive loss for the period		**-**	**-**	**33,502**	**33,502**
Transactions with owners recorded directly in equity:					
Issue of share capital		3,777,821	-	-	3,777,821
Transaction costs on share issue		(307,920)	-		(307,920)
Issue of share options		-	79,550	-	79,550
Balance 31 December 2017	11	**39,489,786**	**1,015,610**	**(37,324,683)**	**3,180,713**

	Issued capital $	Share options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	**35,909,885**	**926,060**	**(35,358,294)**	**1,477,651**
Loss for the period	-	-	(932,447)	(932,447)
Total comprehensive loss for the period	**-**	**-**	**(932,447)**	**(932,447)**
Transactions with owners recorded directly in equity:				
Transaction costs on share issue	-	-	-	-
Balance 31 December 2016	**35,909,885**	**926,060**	**(36,290,741)**	**545,204**

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

Memphasys Limited and its Controlled Entities

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	Note	**Half-year 31 December 2017 $**	Half-year 31 December 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		**(783,487)**	(1,114,592)
Net proceeds from government grants		**831,529**	497,355
Finance costs paid		**(67,141)**	(4,614)
Net cash flows used in operating activities		**(19,099)**	(621,851)
Cash flows from investing activities			
Interest received		**427**	303
Proceed from sale assets		**-**	13,965
Development expenditure		**(624,817)**	(344,530)
Cash flow relating to discontinued operations	5	**47,755**	3,477
Net cash flows from (used in) investing activities		**(576,635)**	(326,785)
Cash flows from financing activities			
Proceeds from issue of shares		**1,694,349**	-
Share issue costs		**(92,779)**	(62,610)
Proceeds from related party borrowings		**251,330**	1,030,542
Repayment of borrowings to related parties		**(166,880)**	(35,000)
Proceeds from third party borrowings		**660,000**	-
Repayment of borrowings to third parties		**(310,000)**	-
Net cash flows provided by financing activities		**2,036,020**	932,932
Net (decrease) / increase in cash and cash equivalents		**1,440,286**	(15,704)
Cash and cash equivalents at beginning of period		**2,349**	19,003
Cash and cash equivalents at end of the half-year		**1,442,635**	3,299

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

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Memphasys Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 30 Richmond Road, Homebush, NSW 2140, Australia. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated entity").

The Group is a for-profit entity and is primarily involved in the development of cell and protein separation devices, and associated consumables, for use in Healthcare, Veterinary and Biotechnology market sectors.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available at www.memphasys.com.

2. Basis of preparation

a) Statement of compliance

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

This interim financial report is intended to provide users with an update on the latest annual financial statements of Memphasys Limited and its controlled entities as at and for the half year ended 31 December 2017. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year period.

The same accounting policies and methods of computation have been followed in this interim report as were applied in the most recent annual financial statements.

These condensed interim financial statements were authorised for issue by the Board of Directors on 23 February 2018.

b) Going Concern

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

In the near future, Memphasys's commercial development strategy will be focused on the SpermSep business unit and the development of new membranes. To complete the commercialisation of the SpermSep animal artificial insemination and IVF applications and to complete the development of new membranes, Memphasys will require additional funding.

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

- The consolidated entity made a net profit of $33,502 for the half year ended 31 December 2017 (31 December 2016: net loss of $932,447).
- For the half year ended 31 December 2017 the consolidated entity had net cash outflows from combined operating activities and investing activities of $595,734 (31 December 2016: net cash outflows of $948,636).
- At 31 December 2017 the consolidated entity had a working capital of $437,051 (30 June 2017: deficiency $2,356,669), and a cash balance of $1,442,635 (30 June 2017: $2,349).

- At 31 December 2017 the consolidated entity had net assets of $3,180,713 (30 June 2017: net deficiency $402,240).

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

- The Company expects to receive a tax refund in September 2018 of around $550,000 from the Australian Tax Office for eligible research and development activities carried out in the financial year ending 30 June 2018 under the research and development tax credit scheme.
- The Group has substantially reduced its losses from continuing activities in the upcoming financial year mainly due to the decrease in legal expenditure.

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.

c) 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 26 to the financial statements for the year ended 30 June 2017. 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 half-year then ended. Where controlled entities have entered or left the consolidated group during the half-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.

d) Foreign currency transactions

At each end of the reporting period:

- Foreign currency monetary items shall be translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the translation; and
- Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

e) Judgement and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017, except for the measurement of investment in PrIME Biologics Pte Limited (refer to Note 6).

g) 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 $1,000, unless otherwise specified.

3. Significant accounting policies

The accounting policies applied in the interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2017.

4. Operating Segments

As a result of discontinued operations, there is only one segment.

5. Net gain on settlement of debt

Memphasys successfully resolved the dispute on the third party debt with PrIME Biologics Pte Limited ("PrIME"), as reported on 27 July 2017. As a result, a net gain on settlement of debt was recognised as a result of derecognising the debt no longer held by Memphasys (refer to Note 9) and the B class shares in PrIME no longer owned by Memphasys (refer to Note 6).

6. Financial assets – available-for-sale

	Note	31 December 2017 $	30 June 2017 $
Shares in unlisted entities – at cost			
PrIME Biologics Pte Limited at cost	5	-	**3,824,888**
		-	**3,824,888**

Available-for-sale financial assets comprised an investment in Series B preference shares in a former subsidiary, PrIME.

On 24 July 2017, Memphasys, PrIME and its major investor Pulau Manukan Ventures Labuan Ltd successfully concluded all disputes through mediation. Refer to Note 13 in the annual financial statements for the year ended 30 June 2017.

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

	Plant and equipment	Leasehold improvements	Total
	$	$	$
Carrying amount at 1 July 2017	27,646	13,635	41,281
Depreciations	(3,531)	(6,818)	(10,349)
Carrying amount at 31 December 2017	**24,115**	**6,817**	**30,932**

8. Non-Current Assets – Intangible Assets

	Note	31 December 2017	30 June 2017
		$	$
Carrying amount at the beginning of the period		2,956,295	3,305,209
Internally developed expenditure		340,386	840,332
ATO Tax Incentive - deferred income for the period / accumulated grant income		(148,068)	(1,189,246)
NSW Medical Device Special Grant - deferred income for the period	10	(252,445)	-
Carrying amount at the end of the period		**2,896,168**	**2,956,295**

9. Interest Bearing Liabilities

Current	Note	31 December 2017 $	30 June 2017 $
Loans from related parties – secured	12.b	299,427	570,080
Loans from related parties – unsecured	12.b	22,601	183,475
Third party debt – unsecured		55,000	-
Third party debt – secured	5	185,154	4,960,767
Total current interest bearing liabilities		**562,182**	5,714,322
Non-current			
Loans from related parties - secured	12.b	149,714	968,500
Third party debt – secured		-	43,044
Total non-current interest bearing liabilities		**149,714**	1,011,544
Total interest bearing liabilities		**711,896**	**6,725,866**

Analysis of current debt

31 December 2017	**Currency**	**Interest rate**	**Year of maturity**	**Carrying value $**
Related party loan – Alison Coutts*	AUD	10%	2018	299,427
Related party loan – A.Goodall Family Super	AUD	10%	At call	22,601
Third party loan – Bridge Road Capital Pty Ltd	AUD	10%	2018	185,154
Third party debt - unsecured Tony D'Ercole	AUD	10%	2018	55,000
Total current debt at 31 December 2017				**562,182**

* Remaining debt after capital raising in December 2017, which is repayable in three instalments over a period of 18 months following the General Meeting subject to Memphasys having sufficient funds to make the repayment. The first two instalments are classified as current, the third instalment for $149,714 is classified as non-current.

30 June 2017	Currency	Interest rate	Year of maturity	Carrying value
Related party loan secured	AUD	10%	2018	570,080
Related party loan unsecured	AUD	10%	2018	173,475
Related party loan unsecured	AUD	0%	At call	10,000
Third party loan – Crescendas Projects Pte Ltd	SGD	9%	2017	251,849
Third party loan – Bridge Road Capital Pty Ltd	AUD	10%	2018	159,359
Third party debt – secured Manukan Debt	SGD	-	2016	4,549,559
Total current debt at 30 June 2017				**5,714,322**

Analysis of non- current debt

31 December 2017	Currency	Interest rate	Year of maturity	Carrying value $
Related party loan – Alison Coutts	AUD	10%	2019	149,714
Total non-current debt at 31 December 2017				**149,714**

30 June 2017	Currency	Interest rate	Year of maturity	Carrying value $
Related party loans - secured	AUD	10%	2018	968,500
Third party loans - secured	AUD	10%	2018	43,044
Total non-current debt at 30 June 2017				**1,011,544**

10. Unacquitted Grant

	31 December 2017 $	31 December 2016 $
NSW Medical Device Fund – Special grant	400,000	-
NSW Medical Device Fund – Expenditure incurred	(252,445)	-
Total unacquitted grant	**147,555**	**-**

As announced to the market on 22 December 2017, Memphasys received an special grant of $400,000 from the NSW Medical Device Fund ("NSWMDF") to advance the development of the Felix device. This grant is subject to a number of terms and conditions including reporting requirements and how the funding may be used. According to accounting standards, the grant will be recognised as income in the period in which the costs that it is intended to compensate are recognised.

In the period currently reported, Memphasys incurred expenditure for the amount of $252,445 able to be acquitted against this grant. This amount however has not been recognised as income because the underlying expenses have been capitalised as intangible assets. Therefore, the amount of $252,445 has been disclosed as deferred income for the period under Intangible Assets (refer Note 8).

The remaining unaquitted costs of $147,555 will be incurred in the second half of the current financial year and are disclosed as Unacquitted Grant in the Statement of Financial Position.

11. Share capital

a) Share capital

	December 2017 Shares	June 2017 Shares	**December 2017 $**	June 2017 $
Ordinary Shares – fully paid	**4,449,642,724**	666,880,183	**39,489,786**	36,019,885

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

	2017 Shares	2016 Shares	**2017 $**	2016 $
Balance at beginning of half-year	**666,880,183**	569,234,004	**36,019,885**	35,909,885
17/07/2017 – Conversion of debt	**32,941,177**	-	**28,000**	-
19/12/2017 – Non-renounceable rights issue - conversion of debt	**240,102,600**	-	**240,102**	-
19/12/2017 – Non-renounceable rights issue – subscription	**459,718,760**	-	**459,718**	-
21/12/2017 – Share placement – conversion of debt	**1,815,396,824**	-	**1,815,397**	-
21/12/2017 – Share placement – subscription	**1,234,603,180**	-	**1,234,603**	-
	4,449,642,724	569,234,004	**39,797,707**	35,909,885
Less issue costs			**307,920**	-
Balance at end of half-year	**4,449,642,724**	569,234,004	**39,489,786**	35,909,885

12. Related Party Transactions

a) Transactions with key management personnel

Key management personnel received total compensation of $215,022 for the six months ended 31 December 2017 (six months ended 31 December 2016: $310,939). The decrease in current year is due to the salaries for and termination payment paid to Mike Richardson in the six month period ending in December 2016.

b) Other related party transactions

At 31 December 2017 the consolidated entity had $471,742 interest bearing liabilities payable to related parties on terms and conditions as outlined in Note 9 (30 June 2017: $1,722,055). During the half-year, interest bearing liabilities totalling $1,642,582 were converted to shares.

13. Legal Dispute

As announced on 13 February 2018, Memphasys has been named as a defendant in a writ issued in the Supreme Court of Victoria on behalf of former financiers, Platinum Road Pty Ltd and its related entity, Bridge Road Capital Pty Ltd (together, the Lenders). The writ claims damages, interest and costs relating to a series of financing agreements between Memphasys and the Lenders entered into between March and June 2017. The quantum of the claim is not specified.

14. Fair Value

The carrying amounts of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The carrying value of non-current borrowings approximates the fair value, as the impact of any discounting is not significant.

15. Events Subsequent to Reporting Date

No events occurred subsequent to 31 December 2017 except for the legal case filed against the company by Bridge Road Capital Pty Ltd and Platinum Road Pty Ltd in the Supreme Court of Victoria.

Directors' Declaration

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

1. The condensed consolidated financial statements and notes, as set out on pages 6 to 16 are in accordance with the Corporations Act 2001, including:

   a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

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

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

Alison Coutts
Executive Chairman

Sydney
23 February 2018

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MEMPHASYS LIMITED AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MEMPHASYS LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

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

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

MARK GODLEWSKI

Partner

PITCHER PARTNERS

Sydney

23 February 2018

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MEMPHASYS LIMITED AND CONTROLLED ENTITIES

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Memphasys Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Memphasys Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Memphasys Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

the financial statements in relation to the ownership and carrying amount of the shares is necessary.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2(b) Going Concern where the directors have stated that the consolidated entity is dependent on the raising of additional funds for working capital and to continue to develop and commercialise the technology.

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

Mark Godlewski

MARK GODLEWSKI

Partner

23 February 2018

Pitcher Partners

PITCHER PARTNERS

Sydney

Corporate Directory

Memphasys Limited
ABN 33 120 047 556

Directors

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Andrew Goodall	Non-Executive Director
John Pereira	Non-Executive Director

Company Secretary
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