Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556

Annual Financial Report for the year ended 30 June 2020

Contents

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 2020 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 (resigned 13 March 2020)
Mr Shane Hartwig	Non-Executive Director (appointed 31 July 2019)
Mr Paul Wright	Non-Executive Director (appointed 13 March 2020)

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.

Names, Qualifications, Experiences, Special Responsibilities and Shareholdings	**Shares interests & unlisted options at the reporting date**
Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech Executive Chairman and member of the Audit and Risk and the Nomination and Remuneration Committees. 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. 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. 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.	**Direct** 75,847,375 ordinary shares 18,000,000 unlisted options **Indirect** 3,777,764 ordinary shares Nil unlisted options
Andrew Goodall Non-Executive Director and member of the Audit and Risk and Nomination and Remuneration Committees. Mr Goodall, a significant shareholder in Memphasys, is an entrepreneur who now runs a private business involved in Commercial Property in New Zealand.	**Direct** 170,806,265 ordinary shares 989,681 unlisted options **Indirect** 692,240 ordinary shares Nil unlisted options

Directors' Report

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	**Shares interests & listed options at the reporting date**
Mr Shane Hartwig B Bus, CPA, ACIS Non-Executive Director and Chairman of the Audit and Risk Committee from 31 September 2019 and member of the Nomination and Remuneration Committee. Mr Hartwig is a Founder and Director of Peloton Capital, a well-established and highly successful corporate advisory firm with offices in Sydney and Perth. Mr Hartwig has over 20 years' national and international experience in the finance industry with exposure to both the debt and equity capital markets. His experience covers Initial Public Offerings (IPO's), capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews. He has also extensive experience in mergers and acquisitions, including in takeover transactions.	**Direct** Nil ordinary shares 1,099,646 unlisted options **Indirect** Nil ordinary shares Nil unlisted options
Mr Paul Wright MA (Eng), FAICD Non-Executive Director and Chairman of the Nomination and Remuneration Committee from 13 March 2020 and member of the Audit and Risk Committee. Mr Paul Wright has more than 30 years' experience as a highly skilled executive in strategic consulting and the development and sales of innovative medical devices and diagnostic tools. Mr Wright's background includes developing and implementing commercialisation strategies from early research and development through to developing global product sales channels. He has experience building distribution partnerships and the direct selling and marketing of highly innovative products internationally. In his early career, Mr Wright worked with business strategy consulting firm Bain & Company in Europe, North America and Asia, advising multinational clients on growth strategy, mergers and acquisitions and operations management. For the past two decades, Mr Wright worked as a CEO for three leading international Australian technology companies focusing on development, manufacturing and marketing of medical devices and diagnostic instruments, including Invetech and Vision BiosSystems, which were acquired by a Fortune 500 company, and Universal Biosensors, where Mr Wright developed commercial partnerships with two large multinationals and oversaw the development, commercialisation and manufacturing scale-up of a blood coagulation analyser for world markets. Mr Wright is currently a non-executive director of design, engineering and technology commercialisation company Hydrix Ltd and an advisory board member for unlisted digital wastewater services company Waterwerx Pty Ltd.	**Direct** Nil ordinary shares Nil unlisted options **Indirect** Nil ordinary shares Nil unlisted options

Directors' Report

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 2020 and the number of meetings attended by each Director.

	Board Meetings		Audit & Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
Director/Alternate Director	**Attended**	**Held***	**Attended**	**Held***	**Attended**	**Held***
Alison Coutts	5	5	2	2	1	1
Andrew Ernest Goodall	5	5	2	2	1	1
Marjan Mikel	3	3	2	2	1	1
Shane Hartwig	4	5	2	2	0	1
Paul Wright	2	2	0	0	0	0

* 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.

Directors' Report

CORPORATE INFORMATION

Corporate Structure

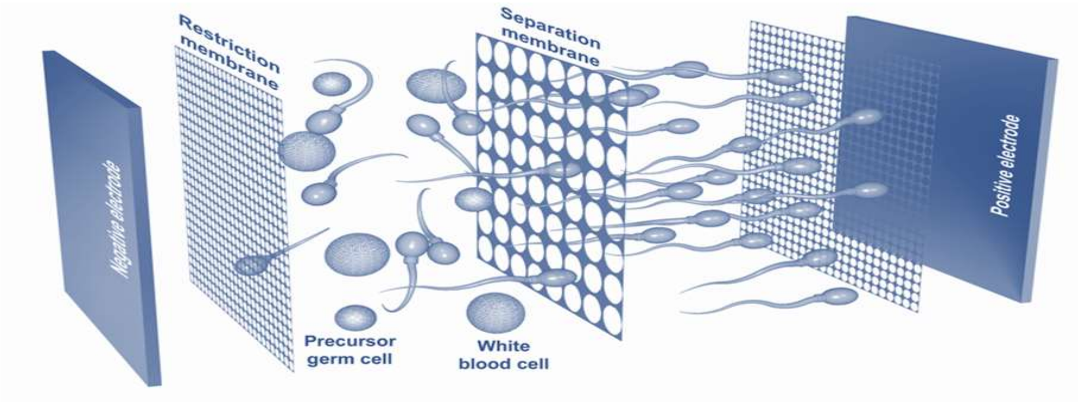
Memphasys Limited is a company limited by shares, incorporated and domiciled in Australia with its registered office at 30 Richmond Road, Homebush, NSW 2140. It has prepared a consolidated financial report incorporating the entities it controlled during the financial year. Refer to Note 25 of the financial 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 electrophoresis with size exclusion-based membranes, patented hydrogels, and other polymer membranes to separate specific types of cells from fluids. Memphasys has used this technology to develop a unique device, "Felix", to address male factor infertility. Felix captures high quality sperm cells from semen samples for human assisted reproductive technologies (ART).



The core principle of the Felix device utilises the higher negative charge on the surface of the best sperm cells, as these cells are quickly attracted to the positive electrode when a gentle voltage is applied. The higher negative charge on the cell indicates a well formed cyto-skeleton, with intact DNA in the cell nucleus. The cells in the semen are also separated based on their size, with unwanted debris including white blood cells contained by the size-exclusion separation membrane. The proprietary hydrogel "restriction" membranes are designed to allow the transfer of ions and at the same time prevent bulk fluid flow. In this way the hydrogel restriction membrane provides three important functions:

- Protecting the sperm cells from the electrodes,
- Providing a controlled environment for the sperm cells, and
- Allowing electrical conduction throughout the cartridge

The Felix device incorporates a simple automated process that efficiently separates sperm in around 6 minutes. This is a marked improvement on the current sperm preparation techniques, density gradient centrifugation ("DGC") and "Swim up", currently used in IVF clinics. These techniques are time consuming (each taking 30 to 40 minutes), laborious, and heavily dependent on operator expertise.

DGC and Swim Up separate the sperm cells based on density and motility and do not necessarily select the most viable sperm, with the least DNA damage and highest fertilising potential. In addition, these processes, especially DCG, can create oxidative damage to the sperm and/or damage the DNA contained within.

In an attempt to improve sperm selection, some IVF clinics, including in the largest markets of China and Japan, use both DGC then Swim Up sequentially, which increases the processing time to around 90 minutes and consumes a large quantity of media.

The Felix device has been developed by Memphasys, in conjunction with a team of collaborators, who continue to provide valuable advice as Felix approaches market release. They include:

- Hydrix Services Pty Ltd ("Hydrix"), our engineering development partner,
- Professor John Aitken, the inventor of the sperm separation technology, and his research team at the University of Newcastle ("UoN"),
- Monash IVF Group, providing clinical testing and advice, and
- W&S Plastics Pty Ltd ("W&S), the Felix cartridge manufacturers who have provided valuable input on design and manufacturing.

The Felix device is positioned to be used in IVF clinics globally, with initial sales in some markets expected at the end of CY'20, despite minor delays to product development in Q1 and Q2, due to COVID-19.

REVIEW OF OPERATIONS

Over the twelve months to 30 June 2020, the core focus of the Company was the commercial development of the Felix device for use in the human ART market. There was also increasing activity to develop next-generation technology to advance sperm separation in the artificial insemination ("AI") sector for animals.

Memphasys has faced the challenges of the COVID-19 pandemic and encouraged team members to work mostly from home. The team efficiently adapted to the circumstances, maintaining the same productivity as it had working from the office. The Company's sustained performance was due not only to having sufficient cash reserves in place at the time COVID-19 arose, but also in carefully navigating delays in supply chains. Memphasys has not experienced any material impact on its business arising from the COVID-19 pandemic, apart from the delay in completing first Felix production.

Product Development of the Felix device

Over the year, Memphasys carried out extensive work on refining the design, materials, and operating performance of the Felix device in preparation for making it a commercial product. In the first half of FY'20 the first Felix prototypes, comprising a benchtop console and disposable cartridges, were manufactured. The consoles were manufactured by hand at Hydrix as part of the development, and the cartridges at W&S Plastics. Some of these units were given to the first key opinion leaders ("KOLs") and were instrumental in demonstrating the viability of the Felix device in IVF clinics.

Monash IVF provided invaluable feedback throughout this period, highlighting various design changes that could be implemented to improve the usability of the device. Monash IVF provided detailed input to address important clinical issues, including selection of the optimum commercially available media to use in the Felix cartridges and optimisation of Felix workflow procedures in commercial IVF labs.

Depiction of final Felix console and single use, disposable cartridge

The Felix device operates on the interaction of two parts: the benchtop console and the disposable cartridges. The console consists of a docking station, for housing the cartridge, and a single button user interface. The console button initiates a fixed automated process, which optimises the final preparation of the cartridge and the supply of an electric field across the cartridge.

The most complex part of the Felix system is the sterile single-use cartridges, which use the various membranes to create compartments into which the semen sample and liquid media are placed before processing. Due to the nature of the Felix device, and its interaction with live semen samples, it is necessary to produce a sterilised device. To ensure effective sterilisation, the cartridges must be assembled within a cleanroom, sealed within a gamma compatible packaging, and exposed to an appropriate level of gamma radiation.

In July 2019, W&S won the contract to manufacture and assemble the disposable cartridges and in March 2020 a dedicated clean room was built at their facility. During FY'20, Memphasys and W&S evolved the cartridge design into a manufacturable, low-cost device with fewer components. The evolved cartridge is easier to assemble, increased automation and has enabled larger runs to operate at a reduced per unit cost. An important aspect of this manufacturing process is the patented hydrogel membranes, the production of which was transferred to W&S in July 2020.

Verification and Validation Process

Verification and Validation are two independent processes and important elements in the development of any medical product. These processes are incorporated at the end of the design process to ensure the product meets the requirements and specifications as well as the user needs and intended use. Any changes to the design of the product at this point will likely require repeating verification activities or providing ample justification for avoiding retesting.

Some elements of the verification were delayed due to COVID-19-related supply chain issues. However, verification and validation activities sufficient to meet the requirements of the early commercial target markets are on track to enable initial Felix sales to occur by end of CY'20.

A brief description of verification and validation processes, and the typical tests that need to be completed are provided below.

Verification

Verification, the process of confirming, through objective evidence, that the product specifications and requirements have been fulfilled, is critical to ensuring the product is manufactured correctly. Every feature or function of the device must be analysed to ensure it meets the requisite design requirements and the appropriate specifications and standards. It is an essential step in the development of any commercial medical product and ensures product consistency. As Hydrix played a major role in the development of the Felix design, including developing the requirements specification, testing those requirements was the natural conclusion to the product design. Hydrix started the Verification process in Q3 of FY'20 and will be completed with the final build cartridges in Q1 of FY'21.

Validation

Validation, the process of confirming, through objective evidence, that the specified user needs and intended use can be consistently fulfilled, is critical to ensuring the correct product is manufactured. It is an essential step in the development and ensures the device will satisfy the user's needs in the intended environment. This process requires the final build cartridges and the preparation for this phase has been completed, including development of appropriate protocols and specifications.

The major user need for the Felix device is the performance of the device in a clinical setting. This will be validated through testing with clinical samples at Monash IVF. COVID-19 has impacted the operation of many IVF clinics; however, it is expected that Monash IVF will have recovered to the point that there will be no material delays to the Felix testing.

The other user needs focus on the safety and usability of the Felix device, including shelf life, biocompatibility of materials and stability trials. The safety of the device has different implications in different regions throughout the world. Memphasys has defined highly regulated markets as those where the Felix device is considered a medical device and low regulated markets as those where the Felix device is considered laboratory equipment because the device processes sperm and there is no interface with the patient.

The highly regulated markets include countries that require some form of medical device regulation, e.g. TGA, FDA, CE Mark. These markets require more comprehensive testing for the safety of the device, typically including clinical trials. The low regulated markets include countries such as Japan, Canada, and New Zealand. The safety of the device is predominantly concerned with electrical safety. Memphasys will also perform biocompatibility/cytotoxicity testing, with the mouse embryo assay on the final device being the most substantive of these tests. It has been determined that early sales in low regulated markets are possible before comprehensive validation is completed for the highly regulated markets.

Regulatory Strategy and Submissions

The commercial pathway was finalised during the year with input from specialist consultants, assessing the major strategic markets and their complex regulatory environments, as well as low regulated markets with less rigorous regulatory hurdles.

Initial commercialisation will focus on these low regulated markets, which will enable early revenues before the highly regulated markets can be accessed. These markets include Japan, Canada, New Zealand and India. Memphasys currently has early Felix clinical assessments in place with KOLs in every one of these countries.

The major strategic markets, in order of accessibility, include Australia (TGA) and other markets that become available upon TGA approval (certain countries in the Middle East and Asia), USA (FDA); China (SFDA) and Europe (CE Mark). Europe medical device registration rules are undergoing major changes, which have caused widespread uncertainty and delays to the registration process for medical device developers and suppliers, globally. These fundamental changes have extended the time for the Felix device to achieve registration in the Europe.

As Felix is a novel device, its safety and efficacy will need to be clinically demonstrated to satisfy regulators in the "high regulatory hurdle" jurisdictions, including Australia, the USA and Europe.

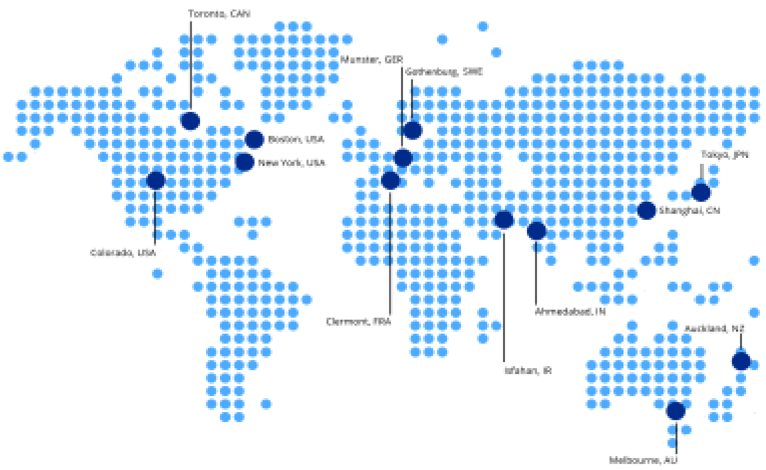
Memphasys personnel attended a pre-submission meeting with the TGA in February 2020 which provided some general guidance on what will be required for the Felix device to pass registration and have commercial sales in Australia. Memphasys has started designing an Australian clinical trial in conjunction with Monash IVF. The trial is planned to start in the second half of FY'21 after the requisite validation activities have been concluded.

The Company also implemented a quality management system ("QMS") and an extensive online software system in preparation for achieving an ISO 13485 certification in FY'21.

Marketing and Key Opinion Leader ("KOL") assessment program

To accelerate international market support and obtain rapid feedback on Felix device clinical performance, Memphasys has worked with Professor John Aitken to recruit 13 KOLs in key markets around the world to participate in the in-vitro clinical assessment of Felix, with Professor Aitken as Principal Investigator.

KOL sites participating in the Felix assessment program



KOLs are leading international IVF laboratories and andrology centres. They have been selected for their technical and academic expertise, geographic market positioning and their value to Memphasys' commercialisation strategy.

Directors' Report

The KOL assessment program is designed to provide further evidence of the technical capabilities and clinical benefits of the Felix device in commercial IVF centres, provide significant examples of the range of use (semen quality), and further define the commercialisation strategy of the Company. The KOL sites are anticipated to be some of the first to purchase the Felix device.

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

During CY'19, Professor Aitken and MEM representatives attended European, US and Asia-based human reproduction conventions to recruit the KOL centres. Memphasys also engaged in positive early stage discussions about potential distribution with three major global market leaders in the IVF equipment and consumables business.

In December 2019, the devices were shipped to some initial KOL sites, including the low regulated markets, as well as the USA, China, and Iran. Memphasys personnel attended all these initial sites in person, provided training, supervised initial tests of the device on clinical samples, and answered queries from the KOLs. Shipments to remining KOL sites were then delayed due to COVID-19.

Whilst there have been limited results from the KOL program, as most have been closed due to COVID-19, the results to date of Felix performance have been positive.

Completion of Felix KOL assessment program is planned for the first half of FY'21.

Intellectual Property

Memphasys has registered 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.

Development of the next generation device

The technology behind the Felix device has been proven to separate good quality sperm from equine ejaculate, in tests conducted at Memphasys and the UoN. A major limitation on the use of the Felix device for animal sperm separation is the volume of semen. The Felix device has been optimised for human clinical samples, and processes 1mL of semen. The volume of animal semen can range anywhere from 10x to 100x as much, so a new device, based on the same core principles has been investigated.

A multidisciplinary team, including Memphasys, UoN, and Hydrix, was set up to address the issues in processing animal semen, and to brainstorm ideas on how to advance the core electrophoretic sperm separation principles of the Felix device to overcome these issues. This exercise conceived two radically different techniques in the separation of sperm cells that will not only have widespread utility in the animal reproductive market but are anticipated to have applications for the next generation Felix device. Memphasys is confident that it will be able to develop a useful next generation device through using an entirely new design concept.

The initial focus for the next generation device is on separation of equine sperm. The horse is a very useful animal model and the equine market is also a sizable and valuable initial target, despite AI not being legally allowed for breeding in thoroughbred racehorses.

Other significant activities

- MEM completed a $4.2m private placement of shares at $0.023 per share before costs in early July 2019.

- MEM received a $1.1m R&D tax refund from the ATO in August 2019.

- MEM announced the award of a 3-year $550,000 ARC Linkage Grant in conjunction with UNSW Sydney and Newcastle University in November 2019.

  Funding was to be spent on research into developing a new, efficient cell separation technology for both humans and animals, including for a next generation Felix device and for animal artificial insemination.

No agreement has yet been reached between UNSW and Memphasys on ownership and access to IP developed in this program, despite extensive negotiations. Wishing to continue the program without delay, Memphasys assembled a team to work on the next generation device including Professor John Aitken and his team of UoN researchers and Hydrix. The team has made good early progress and an early proof of concept has been achieved on one sperm separation concept.

- Exposure to investors in the European market was expanded during the year through Memphasys' listing on a range of prominent local German exchanges, which led to an increase in trading of MEM securities in Germany. Memphasys has a secondary listing at the "open market" of the Frankfurt Stock Exchange. In addition, Memphasys was also recently listed for trading on the "open market" in Berlin, Munich and Stuttgart Stock Exchanges and on the Berlin based Tradegate Exchange.

- On 10 July 2020, achievement of the first milestone for vesting of performance options was announced. The board determined that the company had satisfied all legal and regulatory requirements, as applicable, to distribute its Felix device in its first market jurisdiction, Canada, by 30 June 2020. The achievement of the milestone provides a pathway for the first commercial sales of the Felix device for Q4 CY'20 once requisite verification and validation activities are successfully completed. Canada represents a key early market for MEM with 16,852 IVF treatment cycles initiated and 16,939 cycles of frozen embryo transfers, producing 9,324 clinical pregnancies in 2018. Memphasys also noted that it was in the process of finalising legal and regulatory requirements in other early markets (Japan, India and New Zealand).

Outlook for 2021

The major focus in 2021 for Memphasys will be:
- starting Felix commercial sales in various "early market" jurisdictions,
- completing Verification and Validation, as well as the clinical trials needed for the major highly regulated jurisdictions, and development of the regulatory filings for these markets, and
- developing new products with Professor Aitken and UoN for the animal ART market.

The KOL clinical assessment program of the Felix device is planned for completion in the first half of FY'21. A few KOLs have re-opened and started work on the assessment. Other clinics, which were shut due to COVID-19, are just starting to re-open and are preparing to participate in September 2020.

Due to COVID-19, some of the final Validation activities have been delayed which has caused final commissioning delays of the cleanroom at W&S. Final production of Felix cartridges, ready for commercial sales, are anticipated to be made in Q4 CY'20 with initial commercial sales anticipated in early markets by end of CY'20.

Over the coming months, Memphasys will prepare for a pre-submission meeting with the FDA and will continue to prepare for a clinical trial in Australia to obtain TGA registration.

Memphasys will also continue to monitor and evaluate regulatory environment changes, including the new Medical Device Regulations ("MDR") in Europe, and will update its plans where necessary.

Memphasys anticipates final ISO 13485 certification in Q3 FY'21, which will assist with regulatory submissions in higher regulatory target markets.

Memphasys is fully funded for all planned KOL, development, and commercialisation activities through to Q1 FY'21, with $1.97 million in cash reserves as at 30 June 2020.

Directors' Report

Financial Performance

The funds raised in the first half of the financial year, comprising the share placement $4.2m and the exercise of options $0.64m, added to the R&D tax refund of $1.1m received in August 2019, allowed Memphasys to fund its operations for the whole calendar year 2020. Having sufficient cash reserves, combined with the fact that Memphasys carried out only research and development activities without depending on any revenue streams, allowed the company to avoid issues related to COVID-19 and to continue focusing on its usual day-to-day activities, having only minor delays on specific non-core parts of the Felix project.

Memphasys finalised the financial year with working capital of $2,971,003 (2019: $1,420,952) and with net assets of $9,755,760 (2019: $6,071,441).

Capitalised expenditure on the three projects in the development stage, was as follows:

- Human assisted reproduction technologies (Felix), which received an investment of $2,703,354 (2019: $1,944,900);
- Animal assisted reproduction technologies, which received an investment of $210,237 (2019: $128,061); and
- New membranes for the Felix device, which received an investment of $223,571 (2019: $396,764).

Activities carried out by the Company have not changed from the prior financial year. Memphasys incurred a $1,133,879 loss from continuing operations (2019: $1,044,578). There are several minor reasons causing this difference, the main one being additional expenditure related to the promotion of the Company locally and in the German capital markets.

The increase in finance costs is due to the implementation of AASB 16 Leases, although the company converted its remaining debt to equity as part of the issue of shares during the year.

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 $1,293,092 has been approved by AusIndustry for R&D expenditure incurred in the current financial year.

Board and management

Memphasys appointed Shane Hartwig on 31 July 2019, and Paul Wright on 17 March 2020 as non-executive directors, the latter replacing Marjan Mikel who resigned on the same date.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

- On 23 July 2020, the Company lodged the R&D tax claim for an amount of $1,293,092 which was approved by AusIndustry on 4 August 2020 and is expected to be received from the ATO in late August 2020.

SHARE OPTIONS

There were 65,843,784 unlisted options on issue to shareholders and employees at 30 June 2020.
21,689,327 of these options were held by related parties.

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
Consolidated and parent entity – 2020:								
30 Nov 2016	25 Nov 2019	-	$0.3000	266,667	-	-	266,667	-
29 Dec 2017	28 Dec 2019	-	$0.0300	14,564,800	-	14,564,800	-	-
06 Sep 2018	30 Nov 2019	-	$0.0300	6,666,667	-	6,666,667	-	-
28 Mar 2019	28 Sep 2021	-	$0.0332	20,000,000	-	-	-	20,000,000
28 Mar 2019	28 Sep 2021	-	$0.0332	18,204,457	-	-	-	18,204,457
22 Oct 2019	22 Oct 2021	-	$0.1142	-	989,681	-	-	989,681
22 Oct 2019	22 Oct 2021	30 Jun 2020	$0.1142	-	18,000,000	-	-	18,000,000
22 Oct 2019	22 Oct 2021	15 Nov 2019	$0.1142	-	3,298,938	-	2,199,292	1,099,646
22 Oct 2019	22 Oct 2021	30 Jun 2020	$0.1142	-	7,550,000	-	-	7,550,000
Total		-		59,702,591	29,838,619	21,231,467	2,465,959	65,843,784

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.

Set out in the table below are summaries of options issued, exercised and lapsed during the year to related parties, which were granted on 22 October 2019, at an exercise price of $0.1142 and expiry date 22 October 2021.

Related party	Vesting commencement date	Balance at start of year	Issued during the year	Exercised during the year	Lapsed / cancelled during the year	Balance at end of the year	Exercisable	Non-Exercisable
Directors								
Andrew Goodall	None	-	989,681	-	-	989,681	989,681	-
Andrew Goodall	(a)	-	1,099,646	-	1,099,646	-	-	-
Marjan Mikel #	(a)	-	1,099,646	-	1,099,646	-	-	-
Shane Hartwig	(a)	-	1,099,646	-	-	1,099,646	733,097	366,549
Subtotal Directors		-	4,288,619	-	2,199,292	2,089,327	1,722,778	366,549
Managers								
Alison Coutts	(b)	-	18,000,000	-	-	18,000,000	8,000,000	10,000,000
Nick Gorring	(b)	-	1,200,000	-	-	1,200,000	500,000	700,000
Pablo Neyertz	(b)	-	400,000	-	-	400,000	200,000	200,000
Subtotal Managers		-	19,600,000	-	-	19,600,000	8,700,000	10,900,000
Total		-	23,888,619	-	2,199,292	21,689,327	10,422,778	11,266,549

Director resigned during the year.

(a) 1/12 of the options shall vest each month for the first 12 months following their issue, subject to the holder remaining a director of the Company at the relevant vesting date.

(b) Options will not vest until milestones are reached. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date.

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 $73,830 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 2020 has been received and a copy can be found immediately after 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 2020.

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.

An ESOP program for the Executive Chairman and all key employees was approved at the Extraordinary General Meeting (EGM) held in October 2019 and subsequently implemented.

Employment contracts

Executive Chairman

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.

REMUNERATION REPORT – AUDITED (continued)

Executive Remuneration

Executive remuneration includes:

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

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 2020 are set out in the following tables which break out directors and executive remuneration separately.

Directors of Memphasys Limited

2020	Cash salary and fees	Proportion of remuneration performance related	Movement in leave provisions	Post-employment Superannuation @	Value of options	Value of options as proportion of remuneration	Total
	$	%	$	$	$	%	$
Alison Coutts	277,500	-	17,162	21,003	202,771	39%	518,436
Andrew Goodall	50,000	-	-	-	-	-	50,000
Marjan Mikel #	26,042	-	-	-	-	-	26,042
Shane Hartwig *	29,167	-	-	-	18,581	39%	47,748
Paul Wright *	13,699	-	-	1,301	-	-	15,000
Total	**396,408**	-	**17,162**	**22,304**	**221,352**	**34%**	**657,226**

Resigned during the year
* Appointed during the year.
@ There have been no post-employment retirement benefits, except for superannuation, paid to any Director in the 30 June 2020 financial year.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

2019	Cash salary and fees	Proportion of remuneration performance related	Movement in leave provisions	Post-employment Superannuation @	Value of options	Value of options as proportion of remuneration	Total
	$	%	$	$	$	%	$
Alison Coutts	277,500	-	1,419	20,531	-	-	299,450
Andrew Goodall	50,000	-	-	-	-	-	50,000
Marjan Mikel	50,000	-	-	-	-	-	50,000
Total	**377,500**	-	**1,419**	**20,531**	**-**	**-**	**399,450**

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

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 eight weeks and three months' written notice.
- Employee's employment automatically continues on the terms stipulated in the contract.

Executives of Memphasys Limited and Subsidiaries

2020	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 option as proportion of remuneration	Total
	$	$	$	$	$	$	$	%	$
Nick Gorring	124,329	-	-	-	7,959	11,811	12,073	8%	156,172
Pablo Neyertz	129,750	-	-	-	13,005	12,326	5,069	3%	160,150
Total	**254,079**	**-**	**-**	**-**	**20,964**	**24,137**	**17,142**	**5%**	**316,322**

@ There have been no post-employment retirement benefits, except for superannuation, paid to any Executive in the 30 June 2020 financial year.

REMUNERATION REPORT – AUDITED (continued)

2019	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 option as proportion of remuneration	Total
	$	$	$	$	$	$	$	%	$
Nick Gorring *	22,917	-	-	-	1,958	2,177	-	-	27,052
Pablo Neyertz	121,000	-	-	-	2,806	11,495	-	-	135,301
Total	**143,917**	**-**	**-**	**-**	**4,764**	**13,672**	**-**	**-**	**162,353**

* 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.

Share options granted to Directors and Executives

Share options were issued during the year to the Directors and executives, among other employees, of Memphasys and consolidated entity as part of their remuneration. These options and the terms are outlined in table below.

The fair value of each option was estimated on grant date using Black-Scholes option pricing model, with the following assumptions used:

	2020	
Dividends yield	0%	
Fair market value of stock	\$0.08525	VWAP 5 days prior to Extraordinary General Meeting
Exercise price of option	\$0.1142	
Risk-free interest rate	1%	
Volatility	70%	
Expected option life	2 years	

The number of options over ordinary shares in Memphasys issued to directors and executives during the year is as follows:

Directors

2020	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
Alison Coutts	-	18,000,000	-	-	18,000,000	8,000,000	10,000,000
Andrew Goodall	-	1,099,646	-	1,099,646 *	-	-	-
Marjan Mikel	-	1,099,646	-	1,099,646 #	-	-	-
Shane Hartwig	-	1,099,646	-	-	1,099,646	733,097	366,549
Total	-	21,298,938	-	2,199,292	19,099,646	8,733,097	10,366,549

* Decided by director to get cash in lieu of options
# Options forfeited as director resigned during the period

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

2020	Total number of options granted	First Exercisable Date	Vesting	Value per Option at grant date	Exercise price per share	Total value of options granted	Expiry Date
Alison Coutts	18,000,000	1 July 2020	8,000,000	$0.0253	$0.1142	$202,770	21 October 2021
		1 October 2020	4,000,000	$0.0253	$0.1142	$101,385	21 October 2021
		1 January 2021	6,000,000	$0.0253	$0.1142	$152,076	21 October 2021
Andrew Goodall *	1,099,646	15 November 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 December 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 January 2020	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 February 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 March 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 April 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 May 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 June 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 July 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 August 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 September 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
		15 October 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
Marjan Mikel #	1,099,646	15 November 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 December 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 January 2020	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 February 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 March 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 April 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 May 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 June 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 July 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 August 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 September 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
		15 October 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
Shane Hartwig	1,099,646	15 November 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 December 2019	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 January 2020	91,637	$0.0253	$0.1142	$2,322	21 October 2021
		15 February 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 March 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 April 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 May 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 June 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 July 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 August 2020	91,637	$0.0253	$0.1142	$2,323	21 October 2021
		15 September 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
		15 October 2020	91,638	$0.0253	$0.1142	$2,323	21 October 2021
Total			21,298,938			$539,850	

* Decided by director to get cash in lieu of options
# Options forfeited as director resigned during the period

No options were held by directors in the 2019 financial year.

Executives

2020	Balance at start of year	Granted as remuneration	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
Nick Gorring	-	1,200,000	-	-	1,200,000	500,000	700,000
Pablo Neyertz	-	400,000	-	-	400,000	200,000	200,000
Total	-	1,600,000	-	-	1,600,000	700,000	900,000

2020	Total number of options granted	First Exercisable Date	Vesting	Value per Option at grant date	Exercise price per share	Total value of options granted	Expiry Date
Nick Gorring	1,200,000	1 July 2020	500,000	$0.0253	$0.1142	$12,673	21 October 2021
		1 October 2020	250,000	$0.0253	$0.1142	$6,337	21 October 2021
		1 January 2021	450,000	$0.0253	$0.1142	$11,406	21 October 2021
Pablo Neyertz	400,000	1 July 2020	200,000	$0.0253	$0.1142	$5,069	21 October 2021
		1 October 2020	100,000	$0.0253	$0.1142	$2,535	21 October 2021
		1 January 2021	100,000	$0.0253	$0.1142	$2,535	21 October 2021
Total			1,600,000			$40,555	

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

No options were held by executives in the 2019 financial year.

Directors & their shareholding

2020	Balance as at 1 July 2019	Net movement	Director resigned	Balance as at 30 June 2020
Alison Coutts (a)	79,625,139	-	-	79,625,139
Andrew Goodall (b)	134,341,983	37,156,522	-	171,498,505
Marjan Mikel	8,475,000	2,173,913	10,148,913	-
Total	**222,442,122**	**39,330,435**	**10,148,913**	**251,123,644**

(a) Alison Coutts' shareholding comprises 75,847,375 shares held directly and 3,777,764 held indirectly.
(b) Andrew Goodall's shareholding comprises 170,806,265 shares held directly, and 692,240 shares held indirectly.

2019	Balance as at 1 July 2018	Net movement	Balance as at 30 June 2019
Alison Coutts (c)	58,992,217	20,632,921	79,625,139
Andrew Goodall (d)	88,230,093	46,111,890	134,341,983
Marjan Mikel (e)	1,000,000	7,475,000	8,475,000
Total	**148,222,310**	**74,219,811**	**222,442,122**

(c) Alison Coutts' shareholding comprises 75,726,377 shares held directly and 898,762 held indirectly.
(d) Andrew Goodall's shareholding comprises 133,649,743 shares held directly, and 692,240 shares held indirectly.
(e) Marjan Mikel's shareholding comprises 3,975,000 shares held directly and 4,500,000 held indirectly.

Directors & their option holding

	Balance as at 1 July 2019	Net movement	Lapsed / cancelled	Director resigned	Balance as at 30 June 2020
Alison Coutts	-	18,000,000	-		18,000,000
Andrew Goodall	-	2,089,327	1,099,646	-	989,681
Marjan Mikel	-	1,099,646	-	1,099,646	-
Shane Hartwig		1,099,646	-	-	1,099,646
Total	**-**	**22,288,619**	**1,099,646**	**1,099,646**	**20,089,327**

Executives & their shareholding

2020	Balance as at 1 July 2019	Net movement	Balance as at 30 June 2020
Pablo Neyertz	688,967	-	688,967
Total	**688,967**	**-**	**688,967**

REMUNERATION REPORT – AUDITED (continued)

2019	Balance as at 1 July 2018	Net movement	Balance as at 30 June 2019
Pablo Neyertz	555,867	133,100	688,967
Total	**555,867**	**133,100**	**688,967**

Executives & their option holding

2020	Balance as at 1 July 2019	Net movement	Lapsed / cancelled	Balance as at 30 June 2020
Nick Gorring	-	1,200,000	-	1,200,000
Pablo Neyertz	-	400,000	-	400,000
Total	**-**	**1,600,000**	**-**	**1,600,000**

Transactions with related parties

i) At 30 June 2020, payables to related parties were as follows:

	2020 $	2019 $
Andrew Goodall director fees	**4,583**	4,583
Shane Hartwig director fees	**6,875**	-
Marjan Mikel director fees	**-**	4,167
Alison Coutts superannuation	**5,251**	5,133
Pablo Neyertz superannuation	**3,230**	2,874
Nick Gorring superannuation	**3,196**	2,177
Paul Wright superannuation	**1,084**	-
Pablo Neyertz reimbursement of expenses	**-**	1,766
	24,219	20,700

ii) Loans payable to related parties - principal:

Current balances:		**2020 $**	2019 $
Andrew Goodall	(a)	**-**	293,038
Total		**-**	293,038

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

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

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

	Interest paid		**Interest accrued**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Alison Coutts	**-**	101,196	**-**	35,443
Marjan Mikel	**-**	2,400	**-**	2,400
	-	103,596	**-**	37,843

iv) Loans converted into shares:

	Number of shares		**Converted loan balance**	
	2020	2019	**2020**	2019
			$	$
Andrew Goodall and related parties	12,740,806	44,615,047	293,039	892,301
Alison Coutts and related parties	-	20,000,000	-	400,000
Total	**12,740,806**	64,615,047	**293,039**	1,292,301

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 2020 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.

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
27 August 2020

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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 2020, 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.

R M SHANLEY

Partner

PITCHER PARTNERS

Sydney

27 August 2020

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Notes	2020 $	2019 $
Continuing operations:			
Revenue		**-**	-
Gross profit		**-**	-
Other income	5	**196,446**	86,612
General and administration expenses		**(1,148,440)**	(886,955)
Research and development expenses		**(113,288)**	(196,901)
Finance cost expenses	6	**(68,597)**	(47,334)
Loss before income tax		**(1,133,879)**	(1,044,578)
Income tax expense	7	**-**	-
Loss after tax from continuing operations		**(1,133,879)**	(1,044,578)
Net loss for the year attributable to members of parent		**(1,133,879)**	(1,044,578)
Other comprehensive (expense)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange translation differences		**-**	-
Total other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(1,133,879)**	(1,044,578)
Total comprehensive income attributable to:			
Owners of the Company		**-**	-
Non-controlling interest		**-**	-
Total comprehensive income for the year		**(1,133,879)**	(1,044,578)
Earnings per share (EPS)	8	**Dollar/share**	Dollar/share
– basic loss per share		**(0.0008)**	(0.0025)
– diluted loss per share		**(0.0008)**	(0.0025)

The above 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
ABN 33 120 047 556

Consolidated statement of financial position
As at 30 June 2020

	Notes	30 June 2020 $	30 June 2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**1,967,800**	873,573
Trade and other receivables	10	**-**	-
Inventory	11	**32,677**	-
Other current assets	12	**1,557,310**	1,280,035
TOTAL CURRENT ASSETS		**3,557,787**	2,153,608
NON-CURRENT ASSETS			
Property, plant and equipment	13	**208,464**	27,514
Intangible assets	14	**6,546,093**	4,655,316
Right-of-use asset	15	**986,297**	-
TOTAL NON-CURRENT ASSETS		**7,740,854**	4,682,830
TOTAL ASSETS		**11,298,641**	6,836,438
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**285,744**	308,618
Non-interest-bearing liabilities	17	**26,344**	319,372
Lease liabilities	15	**109,843**	3,768
Tax liabilities	18	**93**	7,436
Short-term provisions	19	**167,770**	93,462
TOTAL CURRENT LIABILITIES		**586,784**	732,656
NON-CURRENT LIABILITIES			
Lease liabilities	15	**931,053**	2,975
Long-term provisions	19	**25,044**	29,366
TOTAL NON-CURRENT LIABILITIES		**956,097**	32,341
TOTAL LIABILITIES		**1,542,881**	764,997
NET ASSETS		**9,755,760**	6,071,441
EQUITY			
Issued capital	20	**48,697,744**	43,424,091
Reserves	22	**739,007**	1,451,272
Accumulated losses		**(39,680,991)**	(38,803,922)
TOTAL EQUITY		**9,755,760**	873,573

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 2020

	Notes	Issued Capital $	Share Options Reserve $	Accumulated Losses $	Total Equity $
Balance 1 July 2018		**40,095,314**	**1,015,610**	**(37,759,344)**	**3,351,580**
Movement					
Loss for the year		-	-	(1,044,578)	(1,044,578)
Total comprehensive income for the period		**-**	**-**	(1,044,578)	(1,044,578)
Issue of share capital	20	4,075,891	-	-	4,075,891
Transaction costs on share issue		(747,114)	-	-	(747,114)
Share options issued	22	-	435,662	-	435,662
Balance 30 June 2019		**43,424,091**	**1,451,272**	**(38,803,922)**	**6,071,441**
Balance 1 July 2019		**43,424,091**	**1,451,272**	**(38,803,922)**	**6,071,441**
Movement					
Loss for the year		-	-	(1,133,879)	(1,133,879)
Total comprehensive income for the period		**-**	**-**	(1,133,879)	(1,133,879)
Issue of share capital	20	4,836,944	-	-	4,836,944
Transaction costs on share issue		(346,291)	-	-	(346,291)
Expired share options transferred to equity		783,000	(783,000)	-	-
Expired share options transferred to accumulated losses		-	(256,810)	256,810	-
Share options issued	22	-	327,545	-	327,545
Balance 30 June 2020		**48,697,744**	**739,007**	**(39,680,991)**	**(9,755,760)**

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 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,012,857)**	(1,183,854)
Government grant receipts		**1,173,264**	592,734
Finance costs		**(68,597)**	(116,352)
Net cash flows used in operating activities	9 (a)	**92,810**	(707,472)
Cash flows from investing activities			
Interest received		**27,385**	2,876
Payment for purchase of property, plant and equipment		**(236,280)**	(13,702)
Payments for internal development		**(2,901,417)**	(2,112,859)
Net cash flows used in investing activities		**(3,110,312)**	(2,123,685)
Cash flows from financing activities			
Proceeds from issue of shares		**4,543,905**	2,703,594
Share issue costs		**(339,901)**	(380,028)
Receipts from third-party loans		**-**	50,000
Repayment of third-party loans		**-**	(114,982)
Receipts from related party loans		**-**	1,294,339
Repayment of related party loans		**-**	(50,000)
Repayment of lease liabilities		**(92,275)**	-
Net cash flows provided by financing activities		**4,111,729**	3,502,923
Net increase / (decrease) in cash and cash equivalents		**1,094,227**	671,766
Cash and cash equivalents at beginning of year		**873,573**	201,807
Cash and cash equivalents at end of year	9	**1,967,800**	873,573

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 2020 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 27 August 2020.

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 14(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.

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 2020 of $1,133,879 (2019: $1,044,578).
- For the year ended 30 June 2020 the Group had net cash flows from operating activities of $92,810 (2019: net cash outflows $707,472) and net cash outflows from investing activities of $3,110,312 (2019: $2,123,685).
- At 30 June 2020, the Group had an excess in working capital of $2,971,003 (2019: $1,420,952).
- At 30 June 2020, the Group had net assets of $9,755,760 (2019: $6,071,441).

Whilst the Group's financial position at balance date is stronger than previous years, the Group's focus for the next twelve months is to:

- commence Felix commercial sales in various "early market" jurisdictions;
- complete V&V and the clinical trials needed for the major "high hurdle" jurisdictions;
- develop the regulatory filings for these markets; and
- develop new products with Professor Aitken and University of Newcastle for the animal ART market.

The expenditure required to undertake all of these activities has been included in the Group's cash flow forecast and based on this forecast the Group will require extra funding in the next twelve months to complete all of these activities. We believe the timetable for expenditure adopted in the forecast is in the best interests of maximising shareholder returns and reflects the Group's confidence in its ability to access funds when required in the next twelve months.

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:

- AusIndustry has approved the R&D tax claim for an amount of $1,293,092 which is expected to be received in late August 2020.
- 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 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 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 25 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 way 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.

f) 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)

g) 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:

	2020	2019
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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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)

n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of standard cost.

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.

3. Significant accounting policies (continued)

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.

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 adopted by the group

AASB 16 Leases

The Group has adopted AASB 16 'Leases' from 1 July 2019, using the modified retrospective approach. As a result, comparatives for the statement of financial position as at 30 June 2019 have not been restated. The impact on the statement of financial position was as follows:

- Right-of-use asset of $1,127,198 was recognised, using discounted based on the weighted average incremental borrowing rate of 7% and net of accumulated depreciation.
- Finance lease liability of $1,127,198 (current $93,241 and non-current $1,033,956) was recognised.

The AASB 16 replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

	2020 **$**	2019 $
Statement of financial position		
Assets:		
Current assets	**8,647,778**	5,011,200
Total assets	**8,647,778**	5,011,200
Liabilities:		
Current liabilities	**290,403**	572,787
Total liabilities	**315,447**	602,154
Equity:		
Issued capital	**48,697,744**	43,424,091
Accumulated losses	**(41,104,420)**	(40,466,317)
Options reserve	**739,007**	1,451,272
Total equity	**8,332,332**	4,409,046
Statement of profit or loss and other comprehensive income		
Total loss for the year	**(894,913)**	(880,630)
Total comprehensive expense for the year	**(894,913)**	(880,630)

Guarantees

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

Contingent liabilities

At 30 June 2020, Memphasys Limited had no contingent liabilities (2019: Nil).

Contractual commitments

At 30 June 2020 Memphasys Limited:

- W&S Plastics Pty Ltd (W&S) was engaged to manufacture (in a cleanroom recently set up in August 2020 in their own premises) - test, package and deliver 100,000 Felix disposable cartridges. Memphasys will provide regular forecasts to W&S for a rolling 12-month period with respect to the anticipated quantity of cartridges it expects to order. An up-front payment of $50,340 was paid by Memphasys to W&S for the cost of the building the cleanroom facility before 30 June 2020. The balance of the $460,000 will be paid for through a decelerating amortisation schedule and included in the price of the first 100,000 cartridges purchased by Memphasys from W&S. The contract expires on 18 February 2023 and Memphasys will maintain a first right of refusal for W&S to use the cleanroom to manufacture products for Memphasys, subject to the debt having been repaid in full.
- Is committed to pay Hydrix Services Pty Ltd progress payments to develop a series to test rigs to explore the ‘Long Flow Concept’ that was one of the leading concepts from the EQUUS Ideas Generation Sprint work finalised in June 2020. The outstanding amount of the contract is $253,000 and its expected completion is October 2020. At 30 June 2020 there had been work completed for $91,000.
- Is committed to pay Hydrix Services Pty Ltd the approximate amount of $50,000 for the completion of the verification and validation process of Felix.

5. Revenue / other income

	Note	2020 $	2019 $
Other income			
Grant income – R&D Tax Incentive Scheme	14	**46,607**	83,736
Grant income – Business Growth Grant		**20,000**	-
Federal Government Stimulus Package – Cash Boost		**100,000**	-
Finance income		**29,839**	2,876
Total other income		**196,446**	86,612

6. Loss for the year

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

	Note	2020 $	2019 $
Expenses			
Depreciation:			
Plant and equipment	13	**55,331**	8,920
Right-of-use asset		**140,900**	-
Total depreciation expense		**196,231**	8,920

Depreciation include amounts which have been capitalised under research and development expenditure.

		2020 $	2019 $
Finance costs:			
Interest expense on financial liabilities with related parties		**-**	37,843
Interest expense on other debts		**-**	8,782
Interest expense on leases		**68,597**	709
		68,597	47,334
Staff costs:			
Salaries		**950,614**	811,674
Superannuation		**84,868**	69,173
Employee share-based payments		**283,879**	-

Salaries include amounts which have been capitalised under research and development expenditure.

Legal fees		**13,513**	20,215

7. Income tax expense

a) Income tax expense

	2020 **$**	2019 $
Income tax reported in the statement of profit or loss and other comprehensive income	**-**	-

b) Reconciliation of effective tax rate

	2020 **$**	2019 $
Accounting loss before tax from continuing operations	**(1,133,879)**	(1,044,578)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2019: 27.5%)	**(311,817)**	(287,259)
Less:		
Tax effect of:		
Non-deductible expenditure	**35,995**	108,740
Research and development tax incentive (non-assessable)	**(12,817)**	(23,027)
Non-assessable Government Grant (Cash Flow Boost)	**(27,500)**	-
Current year tax losses carried forward	**316,138**	201,546
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 2020. The unused tax losses held in the Australian group of companies as at 30 June 2020 is $33,581,559. 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:

	2020 **$**	2019 $
Loss after tax from operations	**(1,133,879)**	(1,044,578)
Weighted average number of shares used as the denominator	**Shares**	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,388,316,844**	409,925,467
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,426,521,301**	409,925,467

9. Cash and cash equivalents

	2020 **$**	2019 $
Cash at bank	**1,967,800**	873,573

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

	2020 **$**	2019 $
Loss from ordinary activities after income tax expense:	**(1,133,879)**	(1,044,578)
Depreciation	**196,231**	8,920
Net finance cost	**-**	47,334
Options issued in lieu of director fees	**18,581**	-
Options issued in lieu of finance costs	**18,369**	-
Grant income	**(46,607)**	(83,736)
Federal Government stimulus packaged cash boost 2 accrued	**50,000**	-
Share option reserve	**8,618**	24,200
	(988,687)	(1,047,860)
Change in operating assets and liabilities:		
Increase in trade and other debtors	**(277,275)**	(620,581)
Increase in inventory	**(32,677)**	-
Increase/(decrease) in trade payables	**(22,867)**	66,190
Decrease in tax liabilities	**(7,343)**	(2,710)
Increase/(decrease) in lease liabilities	**103,075**	(3,555)
Increase/(decrease) in provisions	**69,985**	(1,823)
Increase in deferred income	**1,248,599**	1,019,219
Cash outflows from operating activities	**92,810**	(591,120)
Interest paid	**-**	(116,352)
Net cash outflows from operating activities	**92,810**	(707,472)

Non-cash transactions

During the year the Company issued ordinary shares of $293,039 on conversion of loans.

10. Trade and other receivables

Trade and other receivables – non-current	**2020** **$**	2019 $
Related party receivable – Thee Woon Goh	**947,311**	947,311
Impairment of related party receivables	**(947,311)**	(947,311)
	-	-

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. This receivable has been fully impaired in prior reporting periods and the Company will seek to deal with the encumbered securities during the 2020/21 financial year.

11. Inventories

	2020 $	2019 $
Raw materials – at cost	**32,677**	-
	32,677	-

12. Current assets – other assets

	Note	2020 $	2019 $
Term deposit – bank guarantee rent Homebush *		**42,750**	42,750
Security deposits		**5,290**	5,290
Prepaid expenses		**166,178**	128,731
Amount receivable under R&D Tax Incentive Scheme	14(c)	**1,293,092**	1,103,264
Federal Government Stimulus Package - Cash Boost 2 receivable		**50,000**	-
		1,557,310	1,280,035

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

13. Property, plant and equipment

	Note	Plant & Equipment $	Leasehold Improvements $	Total $
Cost:				
Balance at 1 July 2018		673,106	592,357	1,265,463
Additions		13,702	-	13,702
Balance at 30 June 2019		686,808	592,357	1,279,165
Balance at 1 July 2019		686,808	592,357	1,279,165
Additions		236,281	-	236,281
Balance at 30 June 2020		923,089	592,357	1,515,446
Accumulated depreciation:				
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		659,294	592,357	1,251,651
Balance at 1 July 2019		659,294	592,357	1,251,651
Depreciation for the year	6	55,331	-	55,331
Balance at 30 June 2020		714,625	592,357	1,306,982
Net book value at 30 June 2019		**27,514**	**-**	**27,514**
Net book value at 30 June 2020		**208,464**	**-**	**208,464**

14. Intangible assets

a) Reconciliation of movements in intangible assets

	Note	Internal Development $	Total $
Cost:			
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**
Balance at 1 July 2019		**7,793,646**	7,793,646
Additions		**3,137,262**	3,137,262
Balance at 30 June 2020		**10,930,908**	**10,930,908**
Accumulated grant income:			
Balance at 1 July 2018		**2,118,802**	2,118,802
Deferred R&D Tax Incentive grant income for the year	14(c)	**1,019,528**	1,019,528
Balance at 30 June 2019		**3,138,330**	3,138,330
Balance at 1 July 2019		**3,138,330**	3,138,330
Deferred R&D Tax Incentive grant income for the year	14(c)	**1,246,485**	1,246,485
Balance at 30 June 2020		**4,384,815**	4,384,815
Net carrying value at 30 June 2019		**4,655,316**	**4,655,316**
Net carrying value at 30 June 20		**6,546,093**	**6,546,093**

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

	2020 **$**	2019 $
Felix Device - sperm separations humans	**5,010,831**	3,478,894
Equus Device - sperm separations animals	**782,965**	587,507
Membranes for Felix Device	**752,297**	588,915
	6,546,093	4,655,316

c) Reconciliation of grant income receivable at 30 June

	Note	**2020** **$**	2019 $
Analysis of grant income receivable:			
Component relating to projects under development	14(a)	**1,246,485**	1,019,528
Recognised as grant income in the current year	5	**46,607**	83,736
Total government grants receivable	12	**1,293,092**	1,103,264

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 considered:

- Memphasys' engineering development partner, Hydrix Services Ltd, have almost completed verification of the Felix device design. Felix comprises a sterile single use disposable cartridge and a benchtop console. Felix is designed to separate sperm with less average DNA damage out of a semen sample, for use in human assisted reproductive technologies (ART).
- The contract manufacturer for the Felix cartridges, W&S Plastics Pty Ltd, the largest plastic moulding manufacturer in the southern hemisphere, and the Felix consoles, SRX a global electronic manufacturer, are expected to produce the first commercial Felix units in October 2020.
- Testing at the University of Newcastle and Monash IVF led to the optimisation of the design, consumables, and operating parameters. The performance of the Felix device has also been bolstered by experiments with prototypes by global partners.
- Testing has shown that the technology behind the Felix device is capable of competing with the existing methods for separating sperm.
- The prototype re-usable Felix cartridge has also demonstrated its usefulness in developing technology for separating animal sperm, in particular equine and bovine sperm. Additionally, Memphasys' collaboration with Hydrix and the University of Newcastle has led to advancements in developing a prototype for optimising sperm separation in equine semen, and the technology is expected to provide insights to advancing the next generation Felix device.
- Memphasys has developed manufacturing processes and quality assurance testing of its membranes to support ongoing membrane development and, together with W&S, is developing methods to increase efficiency in production to lower costs.
- The Group has assessed that there are no new specific risks in relation to the development and commercialisation of the projects. COVID-19 initially impacted the access to clinical samples, but it is anticipated that Monash IVF will be able to provide the required resources as they needed in future. The key risk to Felix commercialisation is still the regulatory approval timelines in highly regulated markets, most notably Australia (TGA), USA (FDA) and EU (MDR). The overhaul to the medical device regulations, "MDR" in Europe, may also have flow on effects to other markets such as Australia. However the Company has determined that the Canadian, Japanese, Indian and New Zealand markets do not have high regulatory barriers for commercial sales of the Felix device to be made and therefore the device may be sold earlier in these markets than in the higher regulatory markets.
- 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.
- Memphasys is confident it has sufficient funding for the coming year to advance the commercialisation of the Felix device.

15. Right-of-use asset and lease liability

The following is a reconciliation of non-cancellable operating lease commitments disclosed as at 30 June 2019 to the aggregate carrying amount of lease liabilities recognised at the date of the initial application on 1 July 2019:

Aggregate non-cancellable operating lease commitments at 30 June 2019	302,443
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	1,120,151
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	-
Less: impact of discounting lease payments to their present value at 1 July 2019	(295,397)
Carrying amount of lease liabilities recognised at 1 July 2019	1,127,197

At 30 June 2020, the Group had the following lease arrangements:

- lease for its production and commercial property in Australia. This is a non-cancellable lease and has a remaining non-cancellable lease term of 11 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.

- lease for purchase of telephone equipment. The remaining lease term is 8 months.

	2020	2019
	$	$
Lease assets		
Carrying amount of lease assets, by class of underlying asset:		
Building under lease agreements		
At cost	1,127,197	-
Accumulated depreciation	(140,900)	-
	986,297	**-**
Equipment under lease agreements		
At cost	21,300	21,300
Accumulated depreciation	(18,105)	(15,975)
	3,195	**7,455**
Total carrying amount of lease assets	**989,492**	7,455
Lease liabilities		
Equipment lease liabilities	**2,974**	3,768
Property lease liabilities	**103,869**	-
Current lease liabilities	**106,843**	3,768
Equipment lease liabilities	**-**	2,975
Property lease liabilities	**931,053**	**-**
Non-current lease liabilities	**931,053**	2,975
Net carrying value at 30 June 2019	**1,037,896**	6,743

16. Trade and other payables

		2020	2019
	Note	**$**	$
Trade payables		**218,650**	224,918
Payable to related parties	24(g)(*i*)	**24,219**	20,700
Other creditors and accruals		**42,875**	63,000
		285,744	308,618

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 26.

17. Non-interest-bearing liabilities

		2020	2019
	Note	**$**	$
Current:			
Loans from related parties – unsecured	24(g)(*ii*)	**-**	293,038
Loan from third-party – unsecured *		**26,334**	26,334
		26,334	319,372

* 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.

18. Tax liabilities

	2020 **$**	2019 $
Office of State Revenue NSW – payroll tax	**11,030**	7,131
Australian Taxation Office – GST	**(33,461)**	(19,733)
Australian Taxation Office – PAYG	**22,524**	20,038
	93	7,436

19. Provisions

	2020 **$**	2019 $
Current:		
Provision for employee benefits - current	**167,770**	93,462
Non-current:		
Provision for employee benefits – non-current	**25,044**	29,366
Provision for employee benefits:		
Balance at beginning of year	**122,828**	124,651
Provision utilised	**(29,381)**	(50,133)
Recognised through profit or loss	**99,367**	70,061
Paid as a redundancy payment	**-**	(21,751)
Balance at end of year	**192,814**	122,828

20. Share capital

a) Share capital

	2020 **Shares**	2019 Shares	**2020** **$**	2019 $
Ordinary Shares – fully paid	**753,973,880**	550,133,718	**48,697,744**	43,424,091

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

	Note	**2020 Shares**	2019 Shares	**2020 $**	2019 $
Balance at beginning of year		**550,133,718**	340,588,613	**43,424,091**	40,095,314
Share issue under share placement		**169,867,890**	23,333,333	**3,906,961**	350,000
Share issue in lieu of consulting fees		**-**	4,000,000	**-**	80,000
Share issue under non-renounceable entitlement offer		**-**	117,430,058	**-**	2,348,591
Exercise of options		**21,231,466**	166,667	**636,944**	5,000
Share issue on conversion of loans	24 (g)*(iv)*	**12,740,806**	64,615,047	**293,039**	1,292,301
Transfer of expired option reserve		**-**	-	**783,000**	-
		753,973,880	550,133,718	**49,044,035**	44,171,206
Less issue costs				**346,291**	747,115
Balance at end of year		**753,973,880**	**550,133,718**	**48,697,744**	43,424,091

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 2020 financial year (2019: nil).

20. 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
Consolidated and parent entity – 2020:								
30 Nov 2016	25 Nov 2019	-	$0.3000	266,667	-	-	266,667	-
29 Dec 2017	28 Dec 2019	-	$0.0300	14,564,800	-	14,564,800	-	-
06 Sep 2018	30 Nov 2019	-	$0.0300	6,666,667	-	6,666,667	-	-
28 Mar 2019	28 Sep 2021	-	$0.0332	20,000,000	-	-	-	20,000,000
28 Mar 2019	28 Sep 2021	-	$0.0332	18,204,457	-	-	-	18,204,457
22 Oct 2019	22 Oct 2021	-	$0.1142	-	989,681	-	-	989,681
22 Oct 2019 *	22 Oct 2021	30 Jun 2020	$0.1142	-	18,000,000	-	-	18,000,000
22 Oct 2019 *	22 Oct 2021	30 Nov 2019	$0.1142	-	3,298,938	-	2,199,292	1,099,646
22 Oct 2019 *	22 Oct 2021	30 Jun 2020	$0.1142	-	7,550,550	-	-	7,550,550
Total		-		59,702,591	29,838,619	21,231,467	2,465,959	65,843,784

* 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.

21. Capital Management

Management controls the capital of the Group 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.

22. 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	Reserve amount $
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
989,681	Andrew Goodall	Non-interest loans Oct '19	25,085
1,099,646	Shane Hartwig	In lieu of director fees Oct '19	18,581
18,000,000	Alison Coutts	Performance options Oct '19	202,771
7,550,000	Employees and consultant	Performance options Oct '19	81,108
Total value of options granted in the financial year ended 30 June 2020			327,545
Total value of options granted at 30 June 2020			739,007

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:

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

- For the options granted to Andrew Goodall, Shane Hartwig, Alison Coutts, employees and consultant in October 2019:

Dividends yield	0%
Risk-free interest rate	1%
Expected volatility	70%

23. Auditors' remuneration

Pitcher Partners	**2020 $**	2019 $
Audit & Assurance services		
Review of interim report	**20,850**	20,350
Audit of financial report – year end	**37,000**	36,000
Total remuneration for services	**57,850**	56,350

24. 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 Shane Hartwig	Non-Executive Director
Mr Paul Wright	Non-Executive Director

ii. Executives

Nick Gorring	Operations Manager
Pablo Neyertz	Director of Finance

c) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2020	2019
	$	$
Short-term employee benefits	**688,613**	527,600
Post-employment benefits	**46,441**	34,204
Share-based payments	**238,494**	-
	973,548	561,804

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.

e) Shareholding of directors and executives

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.

24. Related parties (continued)

Directors 2020	**Balance as at 1 July 2019**	**Net movement**	**Director resigned**	**Balance as at 30 June 2020**
Alison Coutts (a)	79,625,139	-	-	79,625,139
Andrew Goodall (b)	134,341,983	37,156,522	-	171,498,505
Marjan Mikel	8,475,000	2,173,913	10,648,913	-
Total	**222,442,122**	**39,330,435**	**10,648,913**	**251,123,644**

(a) Alison Coutts' shareholding comprises 75,847,375 shares held directly and 3,777,764 held indirectly.
(b) Andrew Goodall's shareholding comprises 170,806,265 shares held directly, and 692,240 shares held indirectly.

Directors 2019	**Balance as at 1 July 2018**	**Net movement**	**Balance as at 30 June 2019**
Alison Coutts (c)	58,992,217	20,632,922	79,625,139
Andrew Goodall (d)	88,230,093	46,111,890	134,341,983
Marjan Mikel (e)	1,000,000	7,475,000	8,475,000
Total	**148,222,310**	**74,219,812**	**222,442,122**

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

(c) Alison Coutts' shareholding comprises 78,726,377 shares held directly and 898,762 held indirectly.
(d) Andrew Goodall's shareholding comprises 133,649,743 shares held directly, and 692,240 shares held indirectly.
(e) Marjan Mikel's shareholding comprises 3,975,000 shares held directly and 4,500,000 held indirectly.

Executives 2020	**Balance as at 1 July 2019**	**Net movement**	**Balance as at 30 June 2020**
Pablo Neyertz	688,967	-	688,967
Total	**688,967**	**-**	**688,967**

Executives 2019	**Balance as at 1 July 2018**	**Net movement**	**Balance as at 30 June 2019**
Pablo Neyertz	555,867	133,100	688,967
Total	**555,867**	**133,100**	**688,967**

f) Option holding of directors and executives

The numbers of options 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.

24. Related parties (continued)

Directors & their option holding

	Balance as at 1 July 2019	Net movement	Lapsed / cancelled	Director resigned	Balance as at 30 June 2020
Alison Coutts	-	18,000,000	-		18,000,000
Andrew Goodall	-	2,089,327	1,099,646	-	989,681
Marjan Mikel	-	1,099,646	-	1,099,646	-
Shane Hartwig		1,099,646	-	-	1,099,646
Total	**-**	**22,288,619**	**1,099,646**	**1,099,646**	**20,089,327**

Executives & their option holding

2020	Balance as at 1 July 2019	Net movement	Lapsed / cancelled	Balance as at 30 June 2020
Nick Gorring	-	1,200,000	-	1,200,000
Pablo Neyertz	-	400,000	-	400,000
Total	**-**	**1,600,000**	**-**	**1,600,000**

g) Other transactions with key management personnel and related parties

i) At 30 June 2020, payables to related parties were as follows:

	2020 $	2019 $
Andrew Goodall director fees	**4,583**	4,583
Shane Hartwig director fees	**6,875**	-
Marjan Mikel director fees	**-**	4,167
Alison Coutts superannuation	**5,251**	5,133
Pablo Neyertz superannuation	**3,230**	2,874
Nick Gorring superannuation	**3,196**	2,177
Paul Wright superannuation	**1,084**	-
Pablo Neyertz reimburse of expenses	**-**	1,766
	24,219	20,700

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

Current balances:		**2020 $**	2019 $
Andrew Goodall	(a)	**-**	293,038
Total		**-**	293,038

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

25. Related parties (continued)

iii) Interest paid on financial liabilities with related parties:

	2020	2019
	$	$
Alison Coutts	**-**	101,196 *
Marjan Mikel	**-**	2,400
	-	103,596

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

iv) Loans converted into shares:

	Number of shares		**Converted loan balance**	
	2020	2019	**2020**	2019
			$	$
Andrew Goodall and related parties	12,740,806	44,615,047	293,039	892,301
Alison Coutts and related parties	-	20,000,000	-	400,000
Total	**12,740,806**	64,615,047	**293,039**	1,292,301

h) 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 2020 consisted of loans advanced by Memphasys Limited to its controlled entity Feronia Fertility Pty Ltd for $2,306,281 (2019: $1,566,546).

25. Controlled entities

Name of entity	**Country of Incorporation**	**Class of share**	**Equity Holding 2020 %**	**Equity Holding 2019 %**	
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

26. 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.

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**	
	2020	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$
Financial liabilities:						
Trade & other payables	285,744	308,618	-	-	285,774	308,618
Non-interest-bearing liabilities	26,334	319,372	-	-	26,334	319,372
Lease liabilities	106,843	3,768	931,053	2,975	1,037,896	6,743
Tax liabilities	93	7,436	-	-	93	7,436
Expected outflows	**419,014**	**639,194**	**931,053**	2,975	**1,350,067**	642,169
Financial assets:						
Cash & cash equivalents	1,967,800	873,573	-	-	1,967,800	873,573
Inventories	32,677	-	-	-	32,677	-
Other assets	221,468	5,290	42,750	42,750	264,218	48,040
Tax receivables	1,293,062	1,103,264	-	-	1,293,062	1,103,264
Expected inflows	**3,515,037**	**1,982,127**	**42,750**	42,750	**3,557,787**	2,024,877
Net expected cash flow	**3,096,023**	**1,342,933**	**(888,303)**	39,775	**2,207,720**	1,382,708

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 2020 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.

27. 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:

- W&S Plastics Pty Ltd (W&S) was engaged to manufacture (in a cleanroom recently set up in August 2020 in their own premises) test, package and deliver 100,000 Felix disposable cartridges. Memphasys will provide regular forecasts to W&S for a rolling 12-month period with respect to the anticipated quantity of cartridges it expects to order. An up-front payment of $50,340 was paid by Memphasys to W&S for the cost of the building the cleanroom facility before 30 June 2020. The balance of the $460,000 will be paid for through a decelerating amortisation schedule and included in the price of the first 100,000 cartridges purchased by Memphasys from W&S. The contract expires on 18 February 2023 and Memphasys will maintain a first right of refusal for W&S to use the cleanroom to manufacture products for Memphasys, subject to the debt having been repaid in full.
- Is committed to pay Hydrix Services Pty Ltd progress payments to develop a series to test rigs to explore the ‘Long Flow Concept’ that was one of the leading concepts from the EQUUS Ideas Generation Sprint work finalised in June 2020. The outstanding amount of the contract is $253,000 and its expected completion is October 2020. At 30 June 2020 there had been work completed for $91,000.
- Is committed to pay Hydrix Services Pty Ltd the approximate amount of $50,000 for the completion of the verification and validation process of Felix.

b) Finance lease commitments

Refer to Note 15.

28. Events after Balance Date

The following events occurred subsequent to 30 June 2020:

- On 23 July 2020 the Company lodged the R&D tax claim for an amount of $1,293,092 which was approved by AusIndustry on 4 August 2020 and is expected to be received from the ATO by early August 2020.

29. 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 27 to 52 and the Remuneration Report on pages 14 to 21 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 2020 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 2020.

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
27 August 2020

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

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GPO Box 1615
Sydney NSW 2001

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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 2020, the consolidated statement of profit or loss and other 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 2020 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 (including Independence Standards)* "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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) Going Concern in the financial report which discloses that the Group incurred a net loss for the year ended 30 June 2020 of $1,133,879, had net cash flows from operating activities of $92,810 and net cash outflows from investing activities of $3,110,312, had net assets of $9,755,760 and working capital of $2,971,003. In Note 3(a) it is stated that the Group is dependent on the raising of additional funds within the next 12 months to fund the activities set out in Note 3(a), primarily to achieve commercial sales of Felix in various markets. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities at the amounts stated in the financial statements in the normal course of business.

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**
Recognition of R&D tax incentive *Refer to Note 12 in the Notes to the Financial Statements.*	
At 30 June 2020, the statement of financial position includes R & D receivable amounting to $1,293,092. 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. • Evaluating 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.

Impairment assessment of intangible assets *Refer to Note 14 Intangible Assets*	
At 30 June 2020 the statement of financial position includes intangible assets amounting to $6,546,093 that primarily relates to the Felix project. 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 intangible asset is yet to be commercialised. As disclosed in Note 14, the Group intends to advance commercialisation of the 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.	Our procedures included amongst others: • Obtaining an understanding and evaluation of the design and operating effectiveness of controls in place in respect of costs capitalised to intangible assets. • Reviewing reporting to the Board during the year and further discussing with management to gain an understanding on the progress of the development of the Felix project, whether any new risks have 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.

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, actions taken to eliminate threats or safeguards applied.

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 14 to 21 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Memphasys Limited, for the year ended 30 June 2020, 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.

R M SHANLEY
Partner
27 August 2020

PITCHER PARTNERS
Sydney

Shareholder information

The shareholder information set out below was applicable as 17 August 2020.

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	455	82,718	0.010
1,001-5,000	156	457,672	0.060
5,001-10,000	175	1,408,029	0.190
10,001-100,000	595	25,539,060	3.390
100,001-999,999,999	393	726,986,401	96.360
Totals	**1,774**	**754,473,880**	**100.000**

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	Number held	Percentage of shares issued
PETERS INVESTMENTS PTY LTD	205,000,000	27.171%
MR ANDREW ERNEST GOODALL	170,806,265	22.639%
MS ALISON COUTTS	75,847,375	10.053%
MR ADAM STUART DAVEY <THE DAVEY INVESTMENT A/C>	15,000,000	1.988%
MR ALLAN GRAHAM JENZEN & MRS ELIZABETH JENZEN	13,275,000	1.760%
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	11,941,667	1.583%
MR JOHN AITKEN	7,527,840	0.998%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,424,415	0.984%
MIKEL ENTERPRISES PTY LTD <NOTRE MAISON A/C>	6,673,913	0.885%
MRS VIVIANA INES MESSINA	5,500,000	0.729%
MR DUNCAN GERARD GOWANS & MRS JODIE LOUISE GOWANS	5,000,000	0.663%
J & TW DEKKER PTY LTD <J & TW DEKKER FAMILY A/C>	4,788,291	0.635%
MONASH IVF GROUP LIMITED	4,000,000	0.530%
ON TIME TAXIS PTY LTD	3,800,000	0.504%
ALISON COUTTS CONSULTING PTY LTD <AC SUPER FUND>	3,757,763	0.498%
CROSSBAY PTY LTD	3,700,000	0.490%
MR MICHAEL WILLIAM ATKINS	3,587,406	0.475%
WINDAMURAH PTY LTD <ATKINS SUPER FUND A/C>	3,506,879	0.465%
PIPERLAKE PTY LTD <SERTORIO FAMILY ACCOUNT>	3,000,000	0.398%
GEORDIE BAY HOLDINGS PTY LTD	2,600,000	0.345%
Total Securities of Top 20 Holdings	556,736,814	73.791%
Total of Securities	**754,473,880**	

Shareholder information

C. Substantial Shareholders as at 17 August 2020

Ordinary shares

Holder Name	Number Held	Percentage
PETERS INVESTMENTS PTY LTD	205,000,000	27.171%
MR ANDREW ERNEST GOODALL	170,806,265	22.639%
MS ALISON COUTTS	75,847,375	10.053%

D. Unquoted Equity Securities

Security Class	Number of Holders	Number on Issue
Director Options $0.1142 Exp 22 October 2021	1	1,099,646.
Employee & Consultant Options $0.1142 Exp 22 Oct 2021	7	7,550,000.
Goodall Options $0.1142 Exp 22 October 2021	2	989,681.
Incentive Options $0.1142 Exp 22 October 2021	1	18,000,000.
Unlisted Options $0.0332 exp 28/09/2021	11	37,704,457.
Total:	**22**	**65,343,784.**

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
Shane Hartwig	Non-Executive Director
Paul Wright	Non-Executive Director

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
Website: www.memphasys.com

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

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