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

Memphasys Limited ('**Memphasys**' or the '**Company**') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 March 2021 ('**Q3**'), along with the following quarterly activity update.

Business activities in the Third Quarter (Q3 2021)

There was no change in the activities of the Company during Q3, except for the identification of the engineering issue during the verification and validation (V&V) process on the Felix Console and Cartridges (Felix Device), as announced to the market on 8 March 2021.

The Company continued to spend on its R&D projects, including the Felix device development, and utilised staff and consultants as it has for the first two quarters of the financial year.

Other administration and corporate costs totaled $159k in Q3 2021 compared to $699k for the 9 months to 31 March 2021, reflecting a proportional 32% decrease due to:

(a) cash outflows in Q3 2021 that did not have to be paid (D&O insurance) or were paid for lesser amounts (audit fees), and
(b) cash outflows in Q1 & Q2 2021 when the company circumstantially incurred additional expenditure (company promotion, patents).

Other administration and corporate costs of $159k in Q3 2021 included $33k director fees paid to directors. This amount was paid at the same rate as in the first two quarters of the financial year.

An amount of $88k was paid in Q3 2021 to the Executive Chairman also at the same rate as in the first two quarters of the financial year. This amount was included within the staff and consultant's cost.

Net cash used in operating activities in Q3 2021 totaled $971k which compares with the $1.86m net cash used for the 9 months to 31 March 2021. The main difference was due to government grants not received in Q3 2021.

Material Developments

As announced on 8 March 2021, Memphasys identified an engineering flaw in the Felix device that was likely to have reduced the device's effectiveness. The flaw was detected during the final stages of the verification and validation process before the device was ready for commercial sales. As a result of the flaw, Memphasys determined its source and determined how best to remediate it. The completion dates for the verification and validation processes also had to be extended and further testing by key opinion leaders was required on the final, remediated device before any commercial sales could be made.

As announced on 30 March 2021, Memphasys developed a test device with the necessary modification made. Tests undertaken by Memphasys' research and development partners showed that the modified device provided improved results, as expected.

Subsequent to quarter end, Memphasys reported anticipated timeframes for the engineering fix to be made and the consequent commercialisation activities to be undertaken. Verification and validation activities are expected to be completed by 30 June 2021 and 30 September 2021 respectively, distribution of the

upgraded cartridges to Key Opinion Leader ("KOL") partners in the four early access markets (Japan, NZ, India and Canada) testing the performance of the device were expected to be done by late June 2021 and potential commercial sales discussions anticipated to be by end September 2021 were expected to resume with those KOLs and other prospects after they had successfully tested the upgraded device, but subject to prevailing covid conditions in these early access markets.

This announcement was approved by the Board of Memphasys.

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