Appendix 4D

Half year report

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

Half year ended ('current period')	Half year ended ('previous corresponding period')
31 December 2021	31 December 2020

Results for announcement to the market

				$A'000
Sales from continuing operations	**Up**	**from 0**	**to**	**14**
Gross profit (loss) from continuing operations	**Up**	**from 0**	**to**	**5**
Profit (loss) from continuing activities after tax attributable to members	**Up**	**30%**	**to**	**(938)**
Net Profit (loss) for the period attributable to members	**Up**	**30%**	**at**	**(938)**

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

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

Brief explanation of any of the figures reported above:

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

NTA backing	**31 December 2021**	31 December 2020
Net tangible asset backing per ordinary security	**(0.0026) dollars**	0.001 dollars

Audit/Review Status

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

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

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

The review report is an unqualified review opinion

Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556

Interim Financial Report
for the half-year ended 31 December 2021

Contents

Directors' Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Interim Financial Statements	13
Directors' Declaration	19
Auditor's Independence Declaration	20
Independent Auditor's Review Report to the Members of Memphasys Limited	21 – 22
Corporate Directory	23

Directors' Report

The Directors submit their report for the consolidated entity consisting of Memphasys Limited ("the Company") and its controlled entities ("MEM" or the "Group") for the half-year ended 31 December 2021.

Directors

The names of the Directors of the Company in office at any time during or since the end of the interim period are:

Ms Alison Coutts	Executive Chairman
Mr Andrew Goodall	Non-Executive Director
Mr Shane Hartwig	Independent Non-Executive Director
Mr Paul Wright	Independent Non-Executive Director

REVIEW OF OPERATIONS

Memphasys has made sound progress in the past 6 months, with the Company transitioning with its Felix™ system from product development to commencing commercial sales. Felix™ is a novel automated device for quickly and gently separating high quality sperm from a raw semen sample for use in human IVF procedures. The result comes despite continued difficulties caused by COVID-19 to supply chains and to the global slowdown and temporary shutting of IVF clinics.

Commencement of Felix™ Sales for Clinical Use

During the half-year period, Memphasys completed its first clinical sale of its Felix™ System to the Coimbatore Womens Hospital Centre in India, one of the 13 international participants in the Felix™ system Key Opinion Leader ("KOL") *in vitro* study.

This sale comprised a Felix™ desktop console, and an initial supply of sterile Felix single-use cartridges used to quickly process a semen sample and separate out the best sperm cells.

The Coimbatore Womens Hospital will initially utilise the Felix™ system for couples where the male has demonstrated potential signs of below average sperm quality (low sperm concentration, poor motility, high DNA damage or poor morphology), which according to the Centre represents almost half of male semen samples they deal with. Their male fertility (andrology) laboratory is a regional reference centre in Tamil Nadhu.

Memphasys believes the Coimbatore sale has a strong strategic significance, with India representing one of four 'early markets' for the Felix™ system. The Indian market is sizable, accounting for approximately 10% of the global demand for fresh IVF cycles[1].

In 2017, approximately 190,000 IVF cycles were performed in India. This number is forecast to rise to 587,570 by 2025.

Sale of Felix for Research Application

Memphasys also completed its first sale of a Felix™ system for research use with a sale to Anhui Women & Children's Hospital in China, a national leader in male infertility research.

The sale was made by Memphasys' China distributor, Diagens Biotechnology Company Ltd ("Diagens").

Diagens is a Chinese company that manufactures and distributes proprietary and other products to its network of 500+ assisted reproduction centres and 300+ prenatal diagnosis centres in China. Memphasys has been collaborating with Diagens for the past 18 months.

Diagens is working with Memphasys to prepare a submission to China's National Medical Products Administration (NMPA) - the medical regulatory authority in China - on a potential fast track "Green Channel"

[1] Allied Market Research Report, 2019

regulatory approval for Felix to enable quicker commercial launch of the Felix™ in China, the world's largest IVF market.

In 2017, 302,190 IVF cycles were performed in China which is expected to reach up to 842,890 by 2025.

Felix Verification and Validation Assessments Complete

During the period, Memphasys completed Verification and Validation ("V&V") assessments for the Felix™ device for early markets.

Verification is undertaken to confirm the specified design requirements have been fulfilled. Validation is undertaken to confirm requirements for specific intended use can be consistently fulfilled. Passing V&V assessments was a prerequisite before commencing commercial sales.

Memphasys & Monash IVF partner for Regulatory Clinical trial for Felix™ System

In December, the Company announced a clinical trial of its Felix™ System to support regulatory filings in Australia and overseas.

The trial is being conducted in collaboration with Monash IVF Group Ltd ("MIVF") at four of its sites in Australia. Memphasys has appointed Mobius Medical, an Australian clinical research organisation ("CRO"), to manage the clinical trial on Memphasys' behalf.

The study is assessing the safety and efficacy of the Felix™ System, compared with both Swim-Up ("SU") and Discontinuous Gradient Centrifuge ("DGC"), current standard sperm separation methods, to isolate sperm from semen for its subsequent use with human intracytoplasmic sperm injection ("ICSI") to produce embryos, a common fertilisation technique used in IVF.

Enrolment of first patients is expected to commence in March 2022. The trial is expected to be completed in the December quarter of 2022.

Results, together with a comprehensive literature review, will be filed in a formal regulatory submission to the Therapeutic Goods Administration ("TGA") of Australia in support of Memphasys' application seeking to have the Felix™ System approved for sale in Australia and will also support Felix™ System regulatory filings in international jurisdictions.

Progress Accelerates with MEM's Reproductive Biotechnology Product Pipeline

Memphasys has made considerable progress in its product development partnership with the University of Newcastle ("UoN") Reproductive Medicine Group under the leadership for Prof John Aitken, Memphasys' Scientific Director. Memphasys is funding seven researchers, including two PhD students and some post-doctoral researchers, working on new products that address major market needs in human and animal reproduction under Prof Aitken's guidance. These new potential products cover new sperm separation devices, male fertility diagnostics (human and animal), and accessory products that enable artificial reproduction services to be more widely and cheaply employed in humans and animals.

Memphasys' most advanced new product is its SAMSON stallion fertility diagnostic, which has passed laboratory validation and completed a field trial in thoroughbreds and standardbred horses during the September-November breeding season in Australia. SAMSON seeks to assess the stallion's semen quality and predict the likelihood of a successful pregnancy from a 'service' when combined with basic data on the serviced mare. Results of this field trial will be available by the end of February 2022.

The researchers are also developing a semen transportation device to enable human semen to be held at ambient temperature and shipped from the donor directly to andrology and IVF laboratories for detailed sperm diagnostic assessments without the need for freezing, which degrades the sample. Currently, human sperm can survive in semen for up to 24 hours. The new medium aims to extend this to at least 3-4 days allowing reliable shipment over long distances and internationally. Memphasys already have demand from major sperm diagnostic clinics in several countries for such a product. The medium to be utilised is nearing completion of laboratory validation trials and a sample transport device is being prototyped for field trials later in 2022.

Product development is underway also on human diagnostic products for total motile sperm count and assessing sperm oxidative stress, to be utilised for quick semen assessment in the home or GP office. These new technologies could also have application in the major animal species.

Professor John Aitken employed as Scientific Director

In July, Laureate Professor John Aitken was appointed by Memphasys as Scientific Director to oversee the evaluation and development of the range of new assisted reproductive products as well as supporting the commercial development of the Felix™ device.

Professor Aitken's employment by the Company followed his retirement from the full-time position of Distinguished Laureate Professor of Biological Sciences within the School of Environmental and Life Sciences at the University of Newcastle on 30th June 2021.

Professor Aitken remains as Distinguished Emeritus Laureate Professor of Biological Sciences at University of Newcastle where he manages research staff to enable him to continue his ground-breaking product development work with Memphasys.

Settlement Agreement Reached with Hydrix

During the period, Memphasys entered a settlement agreement (via a binding Heads of Agreement) with its engineering and design partner Hydrix Services Pty Ltd ("Hydrix") concerning an engineering flaw with the Felix™ device[2]. The parties worked together to remediate the engineering issue within the device with the Heads of Agreement settling the commercial terms surrounding the issue.

R&D Rebate Received

The Company received a $1.36 million tax rebate following the submission of its 2021 R&D Tax Incentive claim.

Patents

Memphasys was granted a patent for sperm separation by electrophoresis by the China National Intellectual Property Administration ("CNIPA").

The patent (No: ZL 201780078498.5) further strengthens Memphasys' intellectual property rights and is the Company's first granted patent in China, the largest IVF market in the world.

Memphasys maintains strong protection for its unique bio-separations technology. It has several pending patent applications in regions including the United States, Europe, Australia and various Asian countries.

Financial performance

The net loss for the half-year ended 31 December 2021 was $937,865 (2020: net loss of $719,464). The company has achieved the milestone of making the first clinical sale in an early market by 31 December 2021. The increase in income was outweighed by expenditure increases. The most relevant items with variations from the prior period were as follows:

- Increases on income of:
  - $650,000 due to the agreement reached with Hydrix for the settlement of the engineering flaw announced to the market in March 2021.
  - ~$236,000 in the accrual of the R&D incentive grant, driven by the increase in R&D expenses on projects undergoing its "research phase".

- Increases on expenditure of:
  - ~$493,000 in R&D expenditure. Although the total amount of expenditure in R&D projects this year (~$1,706,000) was similar to prior year (~$1,764,000), as mentioned in prior paragraph, the funds spent this year on projects on "research phase'' (Long-life media and Stallion dismount fertility diagnostic – Samson) were larger than in prior year. Please refer to table "Breakdown of R&D expenditure" below.

[2] Refer to ASX announcement dated 8th March 2021

- ~$311,000 in finance costs, due to the convertible note loans (interest and expenses) announced to the market in May 2021.
- ~$160,000 in general and administration expenses mainly due to options issued to Hydrix as part of the agreement for the settlement of the engineering flaw mentioned above, and the payment of cash bonuses to employees and consultants for achieving milestone of first clinical sale in an early market by 31 December 2021.

The R&D expenditure relating to the projects in 'development phase' and capitalised to Intangible Assets, decreased to $1,114,390 in the six-month period to 31 December 2021 from $1,665,445 in the same period to 31 December 2020. Please refer to variances on table below:

Breakdown of R&D expenditure	**31 December 2021**	**31 December 2020**
	$	$
Projects in "Development phase"		
Sperm separations human (Felix)	1,037,262	1,287,724
Sperm separations animal	4,454	311,071
Membranes	72,674	66,650
Total capitalised R&D expenditure	**1,114,390**	**1,665,445**
Projects in "Research phase"		
Nexgen bio-separations	-	17,235
New long-life sperm storage media (human & animal)	267,347	58,779
Stallion dismount fertility diagnostic test (Samson)	213,586	22,863
Sperm oxidative stress diagnostic test	111,161	-
Total R&D expenditure released to P&L	592,094	98,877
Total R&D expenditure	**1,706,484**	**1,764,322**

At 31 December 2021, the Group had negative working capital of $666,780 (30 June 2021: net working capital $2,831,940), and a cash balance of $1,951,089 (30 June 2021: $2,002,915). The deterioration in working capital is due to the reclassification from non-current to current liabilities of $3.29m of the convertible loans announced in May 2021, which have a maturity date on 31 December 2022.

During the period, the Group received from the Australian Taxation Office a R&D grant of $1,359,512 (2020: $1,293,092).

Overall, the Group had cash inflows from operating activities of $691,817 for the half-year ended 31 December 2021 (2020: $744,692) and cash outflows from investing activities of $1,745,718 (2020: $1,596,960).

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

Outlook for 2022

Despite the adverse current impact of COVID-19 globally, including the slowdown, and shutdown in some cases, of many of Memphasys' KOL clinics again due to the Omicron variant, Memphasys remains optimistic of securing further sales of the device in the 2022 March quarter.

Results of the key opinion leader clinical assessment study conducted at major IVF KOL centres around the world on the in vitro performance of the Felix™ device are being compiled and a paper is planned to be submitted for publication on the outcome of these assessments. Data collection for this paper will be closing before the end of the 2022 March quarter.

The Company is continuing its activities to enable the Felix™ device to obtain regulatory approval in high regulatory countries including Australia (TGA), China (NMPA), United States (FDA) and Europe (C.E. Mark).

The clinical trial with Monash IVF, which started in December 2021, is gathering momentum. Ethics approval and subsequent initial patient recruitment are anticipated before the end of March 2022. At the conclusion of the trial the Company will seek marketing approval for Felix device in Australia from the TGA. Should such approval be granted, it will enable the commercial roll out of the Felix device in Australia and will also

permit the Felix device to be sold in various other jurisdictions such as Thailand and Iran, which recognise the authority of the TGA.

The Company is pursuing the grant of Chinese regulatory approval and is hopeful that it will receive an accelerated review using the “green track” channel for innovative medical devices. The Company is also preparing steps for obtaining FDA approval, starting with a pre-submission application.

Over the coming year Memphasys will be also focussing on commercially progressing the leading products from the University of Newcastle’s reproductive biotechnology portfolio, which are funded and to be commercially developed by Memphasys. Many of these products have low regulatory hurdles, are not complex to manufacture and are likely to have a relatively quick path to market.

Rounding of amounts

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 20 of this report.

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

Alison Coutts
Executive Chairman

Sydney
24 February 2022

Memphasys Limited and its Controlled Entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2021

	Note	**Half-year 31 December 2021 $**	Half-year 31 December 2020 $
Continuing operations			
Revenue and other income			
Revenue		**13,574**	-
Grant income		**277,561**	41,348
Interest income		**587**	2,224
Reimbursement of direct costs	10	**650,000**	-
Expenses			
Direct costs		**(8,687)**	-
Transport expenses		**(1,169)**	-
Employee benefits expenses		**(405,456)**	(365,886)
Research and development expenses		**(592,094)**	(98,877)
Depreciation and amortisation expenses		**(64,423)**	(33,367)
Finance cost expenses		**(341,314)**	(30,617)
Loss on fair value of convertible note options		**(72,000)**	-
Other expenses		**(394,444)**	(234,289)
Loss before income tax expense from continuing operations		**(937,865)**	(719,464)
Income tax expense		**-**	-
Loss after income tax expense from continuing operations		**(937,865)**	(719,464)
Net loss for the year attributable to members of parent		**(937,865)**	(719,464)
Other comprehensive income / (expense)			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		**(25,000)**	-
Total other comprehensive income / (expense) for the period		**(25,000)**	-
Total comprehensive loss for the period		**(962,865)**	(719,464)
Earnings per share (EPS)		**Dollar/share**	Dollar/share
– Basic loss per share		**(0.0012)**	(0.0010)
– Diluted loss per share		**(0.0012)**	(0.0009)

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

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	As at 31 December 2021 $	As at 30 June 2021 $
CURRENT ASSETS			
Cash and cash equivalents		**1,951,089**	2,002,915
Trade Receivables		**13,574**	-
Inventory		**94,858**	118,794
Other current assets		**1,342,072**	1,567,072
TOTAL CURRENT ASSETS		**3,401,593**	3,688,781
NON-CURRENT ASSETS			
Financial assets at fair value through OCI		**125,000**	-
Property, plant and equipment	4	**539,196**	594,237
Intangible assets	5	**8,920,894**	8,291,264
Right-of-use asset	6	**1,922,478**	2,006,557
TOTAL NON-CURRENT ASSETS		**11,507,568**	10,892,058
TOTAL ASSETS		**14,909,161**	14,580,839
CURRENT LIABILITIES			
Trade and other payables		**217,377**	339,749
Non-interest-bearing liabilities	7	**181,002**	181,002
Interest-bearing liabilities	8	**3,286,488**	-
Lease liabilities	6	**88,368**	87,857
Tax liabilities		**11,162**	5,050
Provisions		**283,976**	243,183
TOTAL CURRENT LIABILITIES		**4,068,373**	856,841
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	8	**-**	2,932,339
Non-interest-bearing liabilities	7	**154,664**	231,998
Lease liabilities	6	**1,880,726**	1,924,462
Provisions		**34,789**	28,209
TOTAL NON-CURRENT LIABILITIES		**2,070,179**	5,117,008
TOTAL LIABILITIES		**6,138,552**	5,973,849
NET ASSETS		**8,770,609**	8,606,990
EQUITY			
Issued capital	9	**50,340,937**	48,884,176
Reserves		**56,185**	890,237
Accumulated losses		**(41,626,513)**	(41,167,423)
TOTAL EQUITY		**8,770,609**	8,606,990

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

Memphasys Limited and its Controlled Entities

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

	Note	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021		**48,884,176**	**890,237**	**(41,167,423)**	**8,606,990**
Loss for the period		-	-	(937,865)	(937,865)
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		-	(25,000)	-	(25,000)
Total comprehensive loss for the period		**-**	**(25,000)**	**(937,865)**	**(962,865)**
Transactions with owners recorded directly in equity:					
Issue of share capital	9	1,075,828	-	-	1,075,828
Transaction costs on share issue		(30,529)	-	-	(30,529)
Issue of share options		-	81,185		81,185
Expired share options transferred to Equity	9	411,462	(411,462)	-	-
Expired share options transferred to Accumulated Losses		-	(478,775)	478,775	-
Balance 31 December 2021		**50,340,937**	**56,185**	**(41,626,513)**	**8,770,609**

	Issued capital $	Share options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	**48,697,744**	**739,007**	**(39,680,991)**	**9,755,760**
Loss for the period	-	-	(719,464)	(719,464)
Total comprehensive loss for the period	**-**	**-**	**(719,464)**	**(719,464)**
Transactions with owners recorded directly in equity:				
Issue of share capital	26,560	-	-	26,560
Transaction costs on share issue	(3,844)	-	-	(3,844)
Issue of share options	-	151,230	-	151,230
Balance 31 December 2020	**48,720,460**	**890,237**	**(40,400,455)**	**9,210,242**

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

Memphasys Limited and its Controlled Entities

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

	Half-year 31 December 2021 $	Half-year 31 December 2020 $
Cash flows from operating activities		
Reimbursement of direct costs	**125,000**	-
Payments to suppliers and employees	**(812,695)**	(598,400)
Proceeds from government grants	**1,379,512**	1,343,092
Net cash flows provided by operating activities	**691,817**	744,692
Cash flows from investing activities		
Interest received	**587**	4,678
Purchase of property, plant and equipment	**(1,227)**	(18,676)
Development expenditure	**(1,745,078)**	(1,582,962)
Net cash flows used in investing activities	**(1,745,718)**	(1,596,960)
Cash flows from financing activities		
Proceeds from issue of shares	**1,075,828**	26,560
Share issue costs	**(30,529)**	(3,844)
Repayment of lease liabilities	**(43,224)**	(51,935)
Net cash flows (used in) / provided by financing activities	**1,002,075**	(29,219)
Net (decrease) / increase in cash and cash equivalents	**(51,826)**	(881,487)
Cash and cash equivalents at beginning of period	**2,002,915**	1,967,800
Cash and cash equivalents at end of the half-year	**1,951,089**	1,086,313

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

Notes to the consolidated interim financial statements

1. Reporting entity

Memphasys Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 30 Richmond Road, Homebush, NSW 2140, Australia. These consolidated interim financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity focused on reproductive biotechnology and proprietary cell separation technologies. It is developing novel medical devices, diagnostics, and media with application to assisted reproduction technologies in humans and animals.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 are available at www.memphasys.com.

2. Basis of preparation

a) Statement of compliance

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

This interim financial report is intended to provide users with an update on the latest annual financial statements of Memphasys Limited and its controlled entities as at and for the half year ended 31 December 2021. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the half-year period.

These consolidated interim financial statements were authorised for issue by the Board of Directors on 24 February 2022.

b) Going Concern

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

Whilst the Group remains focused on and committed to the commercialisation of the Felix device, the Group will continue commercially progressing the leading products from the University of Newcastle's reproductive biotechnology portfolio. Many of these products have low regulatory hurdles, are not complex to manufacture and are likely to have a relatively quick path to market. To complete these activities, the Group will require additional funding.

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

- The Group made a net loss of $937,865 for the half year ended 31 December 2021.
- For the half year ended 31 December 2021 the consolidated entity had net cash outflows from combined operating activities and investing activities of $1,053,901.
- At 31 December 2021, the Group had negative working capital of $666,780 and a cash balance of $1,951,089.
- At 31 December 2021 the Group had net assets of $8,770,609.

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

- The Company plans to undertake a capital raising in the second half of FY22 to fund working and development capital.
- The Company expects to receive in September 2022 a tax refund of approximately $1,700,000 from the Australian Tax Office for eligible research and development activities carried out in the financial year ending 30 June 2022 under the research and development tax credit scheme.

On this basis, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unsuccessful with the initiatives detailed above then, there is a material uncertainty as to whether the Group may in the future be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

c) 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.

d) Principal accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the accounting policy in respect of investments and other financial assets, which were acquired as part of an arrangement with its supplier during the period. The accounting policy for this financial asset is set out below.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Under the fair value hierarchy, the fair value of the Financial Assets as Fair Value through OCI is Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

3. Judgement and estimates

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

Although Covid-19 impacted the operations of the company in the six-month period to 31 December 2021 (as mentioned in the Review of Operations), uncertainties have not changed since the previous full-year report. Therefore, the significant judgements made by management in applying the Group's accounting policies, and the key sources of estimating uncertainty, were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

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

	Property, Plant and Equipment	Total
	$	$
Carrying amount at 1 July 2021	594,237	594,237
Additions	1,227	1,227
Depreciation	(56,268)	(56,268)
Carrying amount at 31 December 2021	**539,196**	**539,196**

5. Non-Current Assets – Intangible Assets

	31 December 2021	30 June 2021
	$	$
Carrying amount at the beginning of the period	8,291,264	6,546,093
Internally developed expenditure	1,114,390	2,902,440
ATO Tax Incentive	(484,760)	(1,157,269)
Carrying amount at the end of the period	**8,920,894**	**8,291,264**

6. Right-of-Use Asset and Lease liability

	31 December 2021	30 June 2021
	$	$
Non-current assets – right-of-use assets		
Properties under lease agreements		
Homebush - Office		
At cost	1,637,763	1,637,763
Accumulated depreciation	(79,613)	(11,373)
	1,558,150	1,626,390
Moorebank - Cleanroom		
At cost	**380,167**	380,167
Accumulated depreciation	**(15,839)**	-
	364,328	380,167
Total carrying amount of lease assets	**1,922,478**	2,006,557
Lease liabilities - current		
Property lease liabilities – Homebush	**74,621**	69,980
Property lease liabilities - Moorebank	**13,747**	17,877
Total current lease liabilities	**88,368**	87,857
Lease liabilities – non-current		
Property lease liabilities – Homebush	**1,523,268**	1,562,171
Property lease liabilities - Moorebank	**357,458**	362,291
Total non-current lease liabilities	**1,880,726**	1,924,462
Net carrying value at 30 June	**1,969,094**	2,012,319

7. Non-interest-bearing Liabilities

	31 December 2021	30 June 2021
Current	**$**	$
Loans from third parties - unsecured	181,002	181,002
Total current non-interest-bearing liabilities	**181,002**	**181,002**

Analysis of current debt

31 December 2021	**Currency**	**Year of maturity**	**Carrying value $**
Third party loan unsecured – Ms Chang Sew Ying Alison*	AUD	At call	26,334
Third party loan unsecured – W&S Plastics Pty Ltd**	AUD	2022	154,668
Total current debt at 31 December 2021			**181,002**

30 June 2021	**Currency**	**Year of maturity**	**Carrying value $**
Third-party debt unsecured – Ms Chang Sew Ying Alison*	AUD	At call	26,334
Third-party debt unsecured – W&S Plastics Pty Ltd**	AUD	2022	154,668
Total current debt at 30 June 2021			**181,002**

* 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.

** Current portion of debt for building the cleanroom facility in the premises of W&S. The original debt, which totalled $464,000 including the non-current portion, was arranged to 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. In March 2021, Memphasys rearranged with W&S for the debt to be paid for in three years, in quarterly instalments of $38,667. A revised contract is to be signed with W&S, incorporating the abovementioned payment arrangement and other items, unknown at the time of signing the original contract, like the following:

- extra costs to manufacture in the cleanroom (mainly increased labour, mostly used to keep the cleanroom and equipment sterile),
- rental payments for Memphasys to have exclusive rights to use the cleanroom, and
- the option to continue the agreement post 36 months and a separation clause (not in current agreement).

	31 December 2021	30 June 2021
Non-current	**$**	$
Loans from third parties - unsecured	154,664	231,998
Total current non-interest-bearing liabilities	**154,664**	**231,998**

Analysis of non-current debt

31 December 2021	**Currency**	**Year of maturity**	**Carrying value $**
Third-party debt unsecured – W&S Plastics Pty Ltd*	AUD	2024	154,664
Total non-current debt at 31 December 2021			**154,664**

30 June 2021	**Currency**	**Year of maturity**	**Carrying value $**
Third-party debt unsecured – W&S Plastics Pty Ltd*	AUD	2024	231,998
Total non-current debt at 30 June 2021			**231,998**

* Non-current portion of debt for building the cleanroom facility in the premises of W&S.

8. Interest-bearing liabilities

	31 December 2021 $	30 June 2021 $
Current:		
Convertible notes held by shareholder at:*		
Amortised cost	**1,726,719**	-
Fair value through profit and loss	**80,850**	-
	1,807,569	-
*Convertible notes held by director** at:*		
Amortised cost	**1,412,769**	-
Fair value through profit and loss	**66,150**	-
	1,478,919	-
	3,286,488	-

	31 December 2021 $	30 June 2021 $
Non-current:		
Convertible notes held by shareholder at:*		
Amortised cost	**-**	1,571,537
Fair value through profit and loss	**-**	41,250
	-	1,612,787
*Convertible notes held by director** at:*		
Amortised cost	**-**	1,285,502
Fair value through profit and loss	**-**	33,750
	-	1,319,552
	-	2,932,339

* Peters Investments Pty Ltd
** Andrew Goodall

9. Share capital

a) Share capital

	December 2021 Shares	June 2021 Shares	**December 2021 $**	June 2021 $
Ordinary Shares – fully paid	**792,178,337**	759,773,880	**50,340,937**	48,884,176

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

	Dec 2021 Shares	Jun 2021 Shares	**Dec 2021 $**	Jun 2021 $
Balance at beginning of half-year	**759,773,880**	753,973,880	**48,884,176**	48,697,744
Exercise of options	**32,404,457**	5,800,000	**1,075,828**	192,560
Transfer of expired options reserves *	**-**	-	**411,462**	-
	792,178,337	759,773,880	**50,371,466**	48,890,304
Less issue costs	**-**	-	**(30,529)**	(6,128)
Balance at end of half-year	**792,178,337**	759,773,880	**50,340,937**	48,884,176

* Options reserves for options expired during the reported period, granted to corporate finance advisors for work done on raising capital for the Company, were transferred to issued capital.

10. Reimbursement of direct costs

On 1 September 2021, Memphasys announced to the market that it has entered a settlement agreement with its engineering and designer partner Hydrix Services Pty Ltd ("Hydrix") concerning an engineering flaw with the Felix device identified in the latter stages of the validation process, which contributed to a substantial delay to initial commercial sales of the device.

The settlement agreement consisted on:
- $500,000 (plus GST) reimbursement for costs incurred by Memphasys, and
- 1 million ordinary shares in Hydrix with a fair value of $150,000, issued to Memphasys.

In addition, in support of the strong collaboration between the parties, Memphasys issued 3 million options to Hydrix, with a two-year expiry and a conversion price of 10c per option.

11. Related Party Transactions

Transactions with key management personnel

Key management personnel received total compensation of $347,526 for the six months ended 31 December 2021 (six months ended 31 December 2020: $433,909). The difference relates to performance options not granted to managers this year (six months ended 31 December 2020: $110,257) partially offset by $15,000 cash bonus paid in the six months ended 31 December 2021, and the increase in the same period in the superannuation contributions' rate.

12. Segment Reporting

Although the company has started commercialising Felix in the six-month period to 31 December 2021, the operating results of this particular business are not being regularly reviewed by the entity management yet. Therefore, the entity still only has one segment being Research and Development.

13. Fair Value

The carrying amounts of cash and cash equivalents, other current assets, trade and other payables and current borrowings are assumed to approximate their fair values due to their short-term nature.

14. Events Subsequent to Reporting Date

No events occurred subsequent to 31 December 2021 and up to the date of signing these financial statements.

Directors' Declaration

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

1. The consolidated financial statements and notes, as set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

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

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

Alison Coutts
Executive Chairman

Sydney
24 February 2022

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

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

MEMPHASYS LIMITED AND CONTROLLED ENTITES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MEMPHASYS LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2021, to the best of my knowledge and belief there have been:

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

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

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

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

25 February 2022

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

bakertilly NETWORK MEMBER

pitcher.com.au

PITCHER PARTNERS

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

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the half-year financial report of Memphasys Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 annual 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) Going Concern where the directors have stated that the Group is dependent on the raising of additional funds for working capital and to continue to develop and commercialise the technology.

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

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

bakertilly NETWORK MEMBER
pitcher.com.au

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

25 February 2022

Pitcher Partners is an association of independent firms.

ABN 17 795 780 962.
An independent New South Wales Partnership.

Corporate Directory

Memphasys Limited
ABN 33 120 047 556

Directors

Alison Coutts	Executive Chairman
Andrew Goodall	Non-Executive Director
Shane Hartwig	Independent Non-Executive Director
Paul Wright	Independent Non-Executive Director

Company Secretary
Andrew Metcalfe
Accosec Pty Ltd
Level 26
360 Collins Street
Melbourne, VIC 3000

Share Registry
Boardroom Limited
Level 7, 207 Kent Street
Sydney, NSW 2000

Registered Office
30 Richmond Road
Homebush, NSW 2140
Australia

Tel: 61 2 8415 7300
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