Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556

Annual Financial Report
for the year ended 30 June 2024

Contents

Directors' Report
30 June 2024

The Directors present their report, together with the consolidated financial statements of the Group, being Memphasys Limited (the "Company") and its controlled entities, for the financial year ended 30 June 2024 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:

Mr Robert Cooke	Independent Non-Executive Chairman
Ms Alison Coutts	Managing Director and CEO (resigned 30 November 2023)
Mr Andrew Goodall	Non-Executive Director (resigned 30 November 2023)
Mr Paul Wright	Independent Non-Executive Director
Dr David Ali	Executive Director and CEO (appointed 1 June 2024)
Mr Michael Atkins	Independent Non-Executive Director (appointed 13 March 2024)

Company Secretary

Mr Andrew Metcalfe (B.Bus, CPA, FGIA, GAICD) manages the Company Secretary services of Memphasys Limited. Mr. Metcalfe is an experienced independent company secretary and business consultant, he 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 and Special Responsibilities	**Share interests & unlisted options at the date of this report**
Mr Robert Cooke B. Health Administration, Grad. Dip. Acc and Fin Non-Executive Chairman, previous Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee from 26 April 2022. Mr Cooke is a highly strategic and results focussed private health care leader. With a 40+ year career in the health industry, his experience spans executive leadership of publicly listed and privately owned healthcare companies, and management of private and public hospitals in Australia, Asia and the UK. He is currently the Managing Director of Connelly Partners, a niche health care consulting company. Mr Cooke has a proven track record in setting strategy and delivering successful outcomes for stakeholders and shareholders, highly effective interaction with the financial community, and holds a unique understanding of the complex dynamics of the health care industry. Mr Cooke has served as a director of ASX listed and private equity owned health care companies, within Australia and internationally. He has been the Non-Executive Chairman of OptiScan from 19 April 2021. OptiScan is the global leader in the development of microscopic imaging and related technologies for surgery and medical research. Before establishing Connelly Partners in 2018, Mr Cooke was the Managing Director & CEO of Healthscope, one of Australia's leading private hospital/medical centre/pathology operators between 2010 and 2017.	**Direct** Nil ordinary shares 2,500,000 unlisted options **Indirect** Nil ordinary shares Nil unlisted options

Directors' Report
30 June 2024

Names, Qualifications, Experiences and Special Responsibilities	Share interests & unlisted options at the date of this report
Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech Managing Director and CEO 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 the Group, Ms Coutts co-founded various businesses including a corporate finance advisory business, a clinical development stage drug development company focussing on chronic obstructive pulmonary disease and a medical device company 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** 93,847,375 ordinary shares 9,593,000 unlisted options **Indirect** 10,143,487 ordinary shares 1,502,773 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 the Company, is an entrepreneur who now runs a private business involved in Commercial Property in New Zealand.	**Direct** 75,522,157 ordinary shares 16,535,046 unlisted options **Indirect** 1,710,322 ordinary shares 509,041 unlisted options

Names, Qualifications, Experiences and Special Responsibilities	Share interests & unlisted options at the date of this report
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 BioSystems, 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 has been a non-executive director of design, engineering and technology commercialisation company Hydrix Ltd since 8 August 2018. He is also 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
Dr David Ali Executive Director and CEO Memphasys Limited Holds a Bachelor of Science Degree and a PhD from Macquarie University in Pharmacokinetics. Dr David Ali is a highly qualified senior executive with more than 40 years' experience in medical management, business development, sales and marketing for pharmaceutical, medical device and diagnostic companies in human and animal reproduction. He has held positions with prestigious organisations including CSIRO, and Multinational Pharmaceutical Companies. Prior to his role at the Group, Dr David Ali has worked across the industry in senior roles including Associate Director of Project Management, Clinical Trial Contract Pathology Business Unit Manager, Manager Medical Research and Head of Medical Affairs. Dr David Ali has a keen interest in business, science and bringing products to market. He has a solid working knowledge of the disciplines required to achieve this end. Dr David Ali has expertise in clinical research, product development, life cycle management, medical affairs, and enjoys working closely with research and development teams to achieve commercial outcomes.	**Direct** Nil ordinary shares 6,696,292 unlisted options **Indirect** Nil ordinary shares Nil unlisted options

Michael Atkins Non-Executive Director, Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee from 13 March 2024. Mr Atkins brings over 35 years of global experience in restructuring, development, capital raising and financing for numerous successful public companies. His expertise covers a wide range of sectors, including industrial, natural resources, mining, medical and technology. He holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Australian Institute of Company Directors. Michael also has served as a non-executive director of SRG Global Limited from 11 September 2018 and is a Corporate Consultant to European Metals Holdings Limited. In the last 3 years, Michael was a Non-Executive Chairman of Australian listed companies Legend Mining Limited and Castle Minerals Limited, and Non-Executive Director of Australian listed company Warrego Energy Limited.	**Direct** 9,500,000 ordinary shares 2,710,000 unlisted options **Indirect** 6,500,000 ordinary shares 563,036 unlisted options

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 2024 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 #	9	9	N/A	N/A	N/A	N/A
Andrew Ernest Goodall #	9	9	2	2	-	-
Paul Wright	16	16	2	2	1	1
Robert Cooke	16	16	2	2	1	1
David Ali *	8	8	N/A	N/A	N/A	N/A
Michael Atkins *	4	4	-	-	1	1

Resigned during the year
* Appointed 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
30 June 2024

CORPORATE INFORMATION

Corporate Structure

Memphasys Limited is a company limited by shares, incorporated and domiciled in Australia with its registered office at Level 1, 34 Richmond Road, Homebush, NSW 2140. It has prepared a consolidated financial report incorporating the entities it controlled during the financial year. Refer to the Consolidated entity disclosure statement and Note 26 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 Limited (ASX: MEM) is an Australian-based emerging small-cap reproductive biotechnology company. The primary aim of Memphasys Limited and its controlled entities ("the Group") is to develop and commercialise novel reproduction and fertility solutions for humans and animals. The Group's investor offering is underpinned by four strong fundamentals, namely its:

- Pipeline of unique reproduction and fertility solutions for human and animal applications, co-developed with Professor John Aitken, a world-renowned leader in fertility;
- Product R&D strategy focused exclusively on addressing unmet demand in global reproduction technology markets;
- Comprehensive 'pathway to market' plan to successfully deliver each product to its defined market; and
- Leadership team with the requisite expertise to deliver strategy and grow long-term shareholder value.

REVIEW OF OPERATIONS

<u>OPERATING OVERVIEW</u>

The Group prioritises the development of its novel reproductive biotechnology products according to their potential to deliver the strongest and/or fastest commercial returns for shareholders.

The Group's most advanced product, the Felix™ System, which is now being sold commercially in Japan, is a patented, automated device for quickly and gently separating sperm from a semen sample for use in assisted reproductive technology (ART) procedures.

In addition, the Group is undertaking several other projects to extend its commercial product pipeline, most notably its Oxidative Stress measurement system, now called RoXsta™, which is being developed by the Group in conjunction with the University of Newcastle (UoN) under the direct guidance of MEM's Scientific Director and global Andrology expert, Laureate Professor John Aitken.

Building Advocacy and Strategic Partnerships

The Group's primary activities of the past financial year continued to centre on raising the profile of the Group's unique products and building strong partnerships to commercialise them in countries identified as early target markets.

One of the key outcomes of the Group's heightened commercialisation strategy throughout the 2024 financial year eventuated early in the 2024 financial year when an exclusive agreement was signed between the Company and Vitrolife Japan KK ("Vitrolife"), a subsidiary of the global Vitrolife Group ("Vitrolife AB"), to sell and distribute the Felix™ System in Japan, for a term of five years. The strategic collaboration enhances the availability of cutting-edge fertility treatment in Japan, a major IVF market, where population levels have been declining for many years. Importantly, the agreement provided the Felix™ System immediate access to the unreimbursed IVF market in Japan, which is approximately 20% of the nation's total IVF market.

Vitrolife AB is a world-leading global provider of medical devices, consumables and genetic testing services dedicated to the human IVF and reproductive health market. It has manufacturing sites in Sweden, Denmark and the United States of America and a direct presence in 25 countries. Vitrolife is recognised within the human IVF market for its innovation and technology leadership and premium quality products. It predominantly markets its own products and only very selectively markets the products of other companies.

As part of the agreement, Vitrolife has provided marketing, sales, and training with an initial focus on key clinicians and high-volume clinics in Japan's private health sector.

In further validation of the potential of the Felix™ System, in January 2024 MEM signed an exclusive five-year distribution agreement with Vitrolife subsidiaries in the Canadian and New Zealand markets on similar terms to the Company's agreement with Vitrolife Japan KK.

These markets present a strong opportunity for early commercial access to build the Felix™ brand and access key opinion leaders to legitimise the product in their landscape.

The Group has identified and is continuing to seek distribution in other early access jurisdictions with various potential distributors, including Vitrolife AB.

During the financial year, members of the Group's leadership team continued to directly engage stakeholders in the regulatory, market access, investor, commercial and clinical sectors through a series of significant industry events.

The Group is now increasingly focusing on informing and educating both the investment and reproductive science communities on the underlying science behind its novel product portfolio. The Group also used these opportunities to undertake detailed due diligence of its target markets; to determine the positioning, marketing, and sales of the Group's products within each market; to engage potential distributors, including Vitrolife, and examine the opportunities for synergies with the Group; and to evaluate the quality and pricing of existing competitor products against its portfolio of products.

It is a key objective of the Group to seek commercial partnerships with appropriate stakeholders to provide financial and market support for our products. Our next phase in the coming year will be to leverage these industry partnerships to focus on unmet needs in the market and provide first-in-class solutions to leverage untapped markets.

Endorsement Through Key Opinion Leader ("KOL") Studies and Clinical Trials

The Group received strong validation of the Felix™ System from several of its KOL partners during the 2024 financial year with the publication of peer reviewed research in prestigious high-ranking journals. KOL studies provide critical support material for regulatory submissions.

As the respected practitioners of the global IVF sector, KOLs are a reference point for the broader IVF community on industry innovation. Their status within the industry often makes them 'first buyers' of new, innovative products.

In September 2023, a study into the use of the Felix™ System on thirty-three couples undertaken at Coimbatore Women's Hospital Centre in India entitled "First Recorded Normal Live Birth after ICSI with Electrophoretically Isolated Spermatozoa Using the Felix™ System", was presented at the Congress of the Asia Pacific Initiative on Reproduction (ASPIRE 2023) in Adelaide on 9th September.

The Group's Indian KOL partner, Coimbatore Women's Hospital Centre, predominantly utilised the Felix™ System for males suffering from high sperm DNA fragmentation to achieve positive pregnancy outcomes. At the Coimbatore Women's Hospital Centre, thirty-three couples were enrolled in a study which utilised the Felix™ System. The study resulted in forty frozen embryo transfers, with a clinical pregnancy rate of 47.5%. From these pregnancies there was a total of eleven live births, equating to a live birth rate of 27.5%. The first live birth of a healthy baby boy from a patient with an extremely high DNA fragmentation level was publicly reported earlier this year[1]. Notably, the overall live birth result is comparable with the current Australia and NZ benchmark of 31.3% live birth rate across all patients undertaking IVF from frozen embryo transfers. The distinguishing feature of the study is that the outcome was achieved in a demanding patient demographic, where patients had undergone at least one previously unsuccessful IVF cycle, and all males had high levels of sperm DNA fragmentation (average of 34%).

In May 2024, the Group published positive findings from a Japanese clinical trial conducted in Q4-FY2024 in which the Felix™ System outperformed a sperm preparation method comprising two widely used alternative processes, a combination of Density Gradient Centrifugation followed by Swim-Up (DGC+SU).

The clinical trial conducted by the Reproduction Clinic Osaka, Japan, a Key Opinion Leader, and an early adopter of the Felix™ System, reported clear benefits from using the Felix™ System across most clinical measures over the alternative sperm preparation methods.

The key findings from the Japanese clinical trial include the following material results:

- **Processing Time**: The Felix™ System significantly reduces the sperm processing time from approximately 1 hour (using existing methods) to about seven minutes, enhancing laboratory efficiency and patient convenience.
- **Blastocyst Development Rate:** The Felix™ System showed a blastocyst development rate of 58.4%, higher than the 52.9% achieved by DGC+SU. This suggests that the Felix™ System may enhance embryo development stages critical for successful implantation and pregnancy.
- **Good-Quality Blastocyst Development Rate:** The rate was 35.7% with the Felix™ System compared to 26.1% with DGC+SU, indicating a higher proportion of viable embryos for transfer, which can improve IVF success rates.
- **Embryo Utilisation Rate:** The Felix™ System demonstrated an embryo utilisation rate of 58.0%, better than the 54.3% with DGC+SU, implying a more efficient use of embryos generated during the IVF process.

In June 2024, the results of this trial were presented at the European Society of Human Reproduction and Embryology (ESHRE) conference. The findings showed the Felix™ System outperformed a sperm preparation method comprising two widely used alternative processes, a combination of DGC followed by SU.

In the meantime, the Group has been undertaking a larger Australian based clinical trial to conclusively demonstrate absolute benefits of the Felix™ System, with this trial expected to be completed by the end of the current calendar year. A Japanese based clinic, Kiba Park, will be joining the clinical trial and is currently submitting the study documents for ethics approval. This is expected to assist in both the overall clinical trial and the proactive activities of the Group and Vitrolife Japan KK are conducting to further advocate for the device in Japan.

Vitrolife and the Group continue to advance sales activities, however it should be noted this activity will not be significantly expanded until the wider clinical trial is completed and results published shortly thereafter.

The Group's Strategic Approach to its Target Markets and the Regulatory Environment

The Group develops and commercialises high potential value reproductive biotechnology and proprietary cell separation technologies in the form of novel medical devices, diagnostics, and media.

The Group categorises its target markets into two categories: "Early Access Markets" and "High Access Markets".

Early Access Markets are those with less complex regulatory hurdles such as Japan, Canada and New Zealand. In these markets the Felix™ System does not require regulatory clearance prior to sale. These markets represent the shortest pathway to market. Of these markets, Japan is by far the largest.

Australia, the United States, the European Union, India and China are high access markets, which demand extensive clinical data and quality management system files before a submission can be made for regulatory clearance. The timeline around the clearance of regulatory submissions also varies between jurisdictions.

Assuring the Protection of The Group's IP

Patent applications filed from 1 July 2023 to 30 June 2024:

Country	Application No.	Title	Applicant	Technology	Date filed
Australia	2023904171	Methods and devices for measuring antioxidant levels in biological samples	Memphasys Limited	RoXsta™	21-Dec-23

Patents granted from 1 July 2023 to 30 June 2024:

Country	Patent No.	Title	Applicant	Technology	Date of Grant
Australia	2017254772	Biocompatible Polymeric Membranes	Memphasys Limited	Use of PVA membranes in separation or cells or macromolecules	14-Sep-23

CORE PRODUCT PIPELINE

The Felix™ System

The Felix™ System is the Group's first commercial product. It is a patented, automated device for quickly separating high quality sperm from semen for use in human IVF procedures without causing damage to DNA. Felix™ has an estimated addressable global market size of around A$630 million[1].

Growth rates in the assisted human reproduction market are accelerating and one in every six couples having fertility issues.

Current success rates for IVF are relatively low and the treatment is costly. Further, there have been no tangible advancements in sperm processing for IVF procedures in over 40 years.

FEATURES	Felix™	DENSITY GRADIENT CENTRIFUGATION	SWIM-UP (INCL ZYMOT)
Number of steps	One step	Multi steps	Multi steps
Time	Six minutes	30 – 40 minutes	30 – 40 minutes
Process	Automated, desk-top console with disposable, single use cartridges	Laboratory Centrifugation process	Laboratory Swim-up process requires skilled operator
Differentiators	Automation delivers consistent process with less room for error	Multi-step process leads to potential errors	Multi-step process leads to potential errors
	Repeatable high-quality results	Variable results	Variable results
	Capable of processing wide variety of semen samples	Centrifuging potentially causes DNA damage	Underperforms with poor semen samples
	Electrophoretic system identifies and selects sperm with low DNA damage and low oxidative stress	Cannot identify or select sperm with low DNA damage and oxidative stress	Cannot identify or select sperm with low DNA damage and oxidative stress
Pricing	Indicative pricing – mid to premium range Ongoing revenue from disposable cartridges	Indicative labour & equipment pricing A$100 in Australia / US$100 in US	Indicative labour & equipment pricing A$100 in Australia / US$100 in US

Pathway to Market: Early Access Markets

Japan

Following the introduction of regulatory environment in Japan's ART market in 2022, MEM has been working exclusively with clinics operating in the country's substantial private health market. In the financial year to June 2024, the Group made multiple sales via its exclusive distribution agreement with Vitrolife to sell to high volume clinics in the privately funded IVF sector.

Provided below are key milestones achieved from this agreement during the financial year:

[1] Allied Market Research Global IVF Services Market 2019 "The Infertility Trap: Why Life Choices Impact Your Fertility & Why We Must Act Now" – Cambridge University Press 5 May 2022

- During Q1 FY2024, Vitrolife KK placed its first order for 150 Felix™ cartridges to supply five high volume Key Opinion Leader (KOL) fertility clinics in Japan. This included the Kobe clinic, which had ordered directly through the Group prior signing the distribution agreement. Vitrolife provided training on the Felix™ System to the KOL clinics and supplied ongoing services as part of the agreement.
- This was followed by a second order of 150 Felix™ cartridges for roll out across other clinics in Japan.
- During Q3 FY2024, a further order of 200 single-use Felix™ cartridges and six Felix™ consoles were directed to six target clinics in Japan.
- As of the end of the financial year, Vitrolife orders in Japan stood at 500 Felix™ cartridges and nine Felix™ consoles.

Vitrolife Japan KK and the Group continue to advance sales activities; however, it should be noted this activity will not be significantly expanded until the wider clinical trial is completed in the current calendar year and results published shortly thereafter. In addition, the reimbursement structure in Japan is also presenting some significant hurdles to navigate and may require the creation of an addition category for electrophoresis devices.

The Group and Vitrolife Japan KK believe that the immediately addressable market for the Felix™ System in Japan is 20% of the total market, as there is currently no Japanese insurance reimbursement category for the Felix™ System.

Vitrolife Japan KK and the Group will be working to access the remaining addressable market once the current clinical trial is completed by the end of the current calendar year.

Canada and New Zealand

In January 2024, the Group announced exclusive five-year distribution agreements with Vitrolife subsidiaries in the Canadian and New Zealand markets on similar terms to the Company's agreement with Vitrolife Japan KK.

These markets present a strong opportunity for early commercial access to build the Felix™ brand and access key opinion leaders to legitimise the product in their landscape.

Following these agreements, the plans for training for the Felix™ System have commenced in both markets representing the initial steps of the sales onboarding process. In addition, Vitrolife has visited the major clinics in New Zealand and at least one major clinic is undertaking a preliminary assessment of the Felix™ System.

Vitrolife AB and the Group continue to advance an expansion of sales activities; however, it should be noted this activity will not be significantly expanded until the wider clinical trial is completed.

Pathway to Market: High Access Markets

India

The Indian regulator, the Central Drugs Standard Control Organisation (CDSCO), continued to introduce changes to the regulation of all ART clinical processes undertaken in India and all medical devices sold in India during the financial year.

In July 2023, the Group met with CDSCO in New Delhi, which helped to inform and clarify aspects of Memphasys' India strategy. While the regulatory environment continues to develop, it is clear from these discussions that all imported medical devices now require home country regulatory clearance before commercial quantities can be sold in India. MEM took some initial steps to address the change starting with the submission of a voluntary product inquiry with CDSCO.

Australia

As MEM's home country, Australia is critical to the Group'scommercialisation activities from a regulatory perspective. Australia is considered a highly regulated market and the granting of regulatory clearance in Australia is fundamental to the success of its commercialisation efforts in Australia and in other jurisdictions.

The gathering and provision of clinical data is an essential step in the regulatory process in high access markets.

During the financial year, the clinical trial of the Felix™ System, managed by Mobius Medical Pty Ltd, has gained considerable momentum. Conducted in collaboration with Monash IVF Group Ltd, the trial aims to assess the safety and performance of the Felix™ System against traditional sperm preparation techniques.

With enrolment for the Swim-up study arm now 100% achieved and 50% of the Density Gradient Centrifugation trial arm completed; the trial is on track for completion by the end of the current calendar year. Following this, results will be analysed, and regulatory submissions will be made to the Therapeutic Goods Administration.

The Group continues to evaluate a range of initiatives to increase the speed of this trial including additional sites from Monash IVF and Japan, wherever possible.

<u>DEVELOPING PRODUCT PIPELINE</u>

Rapid Oxidative Stress Assay (RoXsta™)

The aim of RoXsta™ is to produce a novel 'point-of-care' in vitro diagnostic device with single use cartridges. The assay will be a five-minute test for the level of antioxidants in bodily fluids such as semen, blood, follicular fluid, and urine, which will indicate the level of oxidative stress present.

Oxidative stress is the imbalance between reactive oxygen species and antioxidant protection in the body and is a major cause of many diseases. It is a known pre-cursor to DNA damage in sperm and a major contributor to pre-eclampsia and placental failure. It is also a major underlying factor in many other countless chronic illnesses such as diabetes, Alzheimer's disease, and heart disease.

Current testing practices for oxidative stress is laboratory-based and not easily accessible, time consuming and expensive. As a result, oxidative stress often goes undiagnosed and therefore untreated.

The Group's device fills a diagnostic void starting with the fertility market, where oxidative stress is a known cause of infertility. Further oxidative stress is implicated in many maternal pre-natal diseases. Therefore, this assay is positioned to change the oxidative stress treatment landscape.

RoXsta™ Pathway to Market

The Group has contracted a leading Australian product development company to design the next RoXsta™ product iteration. A preliminary version of the product has been tested at the UoN. MEM will advance the production of a small batch of cartridges in early FY25 and commence KOL testing shortly after.

The Group is currently exploring a variety of market access pathways in human and animal fertility. Like Felix™, the human fertility clinical market generally requires full regulatory clearance and has a medium to longer-term pathway to market. MEM will be required to undertake clinical trials with KOL partners, followed by registrations and regulatory clearances in initial target markets. The initial focus in the human fertility clinic market will be early access markets such as Japan, which does not require regulatory clearance to make commercial sales.

In addition to human applications the Group considers its Oxidative Stress measurement system to have important applications in the reproductive animal industry. Oxidative stress results from low levels of antioxidant protection, which are linked to infertility in animals (and in humans) and to levels of DNA damage in both sperm and eggs. It is considered at this stage that the animal market may provide some quick wins for the Group with respect to commercialisation of its Oxidative Stress measurement system as the hurdles for registrations and regulatory clearances as significantly less in the animal markets but still present a significant revenue opportunity.

RoXsta™ has a potential broader market opportunity as a diagnostic for assessing and monitoring disease and wellness in humans and in high value livestock. The RoXsta™ application is considered to be of high value to the Group as it has the potential to be applied more broadly in sports medicine, cosmetics, agriculture, water supply and food safety assessment.

The Oxidative Stress measurement system offers several advantages:

- **Rapid Point-of-Care Assessment**: Oxidative Stress measurement system provides an extremely rapid assessment of antioxidant activity, with the potential of enabling immediate identification of animals requiring antioxidant supplementation and monitoring the consequences of such supplementation.

- **Wide Range of Applications:** Oxidative Stress measurement system can be used in various situations within the cattle industry, including monitoring oxidative stress in dairy and beef cattle, guiding nutritional supplementation, and optimising reproductive performance.

- **Commercial Potential:** Oxidative Stress measurement system holds substantial commercial merit due to its ability to differentiate itself in the market with unique features and applications that address significant needs in the industry.

Memphasys Animal Breeding Solutions (MABS)

Post end of financial year, the Company announced its Oxidative Stress measurement system had been elevated as a priority given its innovative nature and its ability to offer true product differentiation.

In consultation with industry, the Group and Klean Gene have identified the need to conduct a study to establish a baseline and thresholds for oxidative stress likely to be associated with meaningful events in animal reproductive performance. Determination of these events when correlated with reproductive performance could provide significant value to the animal industry.

The Group has developed a prototype methodology for oxidative stress measurement, which will be applied to such a study. Applying its early-stage oxidative stress measurement prototype, the study design is intended to include both longitudinal and retrospective analyses to identify oxidative stress thresholds in bovine and potential correlations with productive performance.

In conjunction with Klean Gene, the Group is currently exploring industry partnerships and defining appropriate clinical on-farm partners for data and blood collection. Once this process is complete, the Group will provide a detailed update on study progress, including partners, commencement date, and completion date.

The other highly innovative animal product AI-Port has been developed for the purpose of maintaining the viability of livestock semen for up to seven days at a temperature range of 22–25 degrees Celsius. This would enable collection and transportation of semen without needing cryopreservation, while importantly also limiting sperm DNA damage and providing a greater number of viable sperm than cryopreservation to the end-user. This offers considerable efficiency and quality improvements over current practice. To date, two field trials have been completed using AI-Port. Following further optimisation additional studies will be conducted as part of the MABS project pending the acquisition of supporting funds and commercial partnerships.

Other Pipeline Products

Ongoing research currently focussed on the development of novel media for use in human IVF and in animal reproductive technology. The pipeline will extend the breadth of the Group's products in development. The initial work is undertaken in conjunction with the UoN under and is subject to stringent assessment prior to proceeding to full product development.

So far, this work has resulted in a publication, authored by Alena Hungerford, a PhD candidate at the University of Newcastle, and co-authored by the Group's scientific employees, Laureate Professor John Aitken and Associate Professor Hassan Bakos and titled: "Addition of Vitamin C Mitigates the Loss of Antioxidant Capacity, Vitality and DNA integrity in Cryopreserved Human Semen Samples". This work has been published in the international, peer-reviewed, open access journal "Antioxidants" (see https://doi.org/10.3390/antiox13020247).

The study achieved its primary aim of comprehensively analysing the relationships between antioxidant availability, oxidative stress and sperm quality. Importantly, it demonstrated that the addition of selected antioxidants to the thawed semen samples can restore sperm vitality and DNA integrity; and it also identified the preferred antioxidant to be used. A secondary aim was to develop a novel, useful cryoprotectant medium, was also achieved. The medium developed was shown to be an improvement over a commonly used commercial medium. Cryopreservation of human semen samples is commonly used to enable the long-term storage of sperm; however, cryopreservation is damaging to sperm function and current commercial media offer limited cryopreservative protection to sperm.

Notably, the Group owned RoXsta™ System, a state-of-the-art system for rapidly assessing antioxidant activity in biological fluids, was used extensively for the research. Specifically, the system was used to determine how much antioxidant activity was lost from human semen samples when commercial cryoprotectant was added. The antioxidant activity loss was extensive, at 50%. The cryoprotectant medium has applications in both human and animal reproduction and is likely to offer not only a competitive solution to current status quo but also allow the Group to have a market dual offering with the AI-Port media proving multiple market solutions.

Premises relocation and staffing restructure

During the financial year, the Group undertook a significant change of management, leading to a more streamlined business. This transition, along with a shift to hybrid working, reduced the need for a large office environment. The old offices were ideal previously, due to their extensive laboratory and manufacturing capabilities. However, with current product development occurring at the University of Newcastle, and manufacturing conducted by various third parties; the old premises were no longer required. This resulted in the business relocation to an adjacent building, enabling a significant reduction in rent and other costs. The move has resulted in savings of more than $200,000 per annum.

In addition, the business undertook a significant review of its workforce. The business now relies less on external consultants and utilises permanent staff for the ensuing complete focus on strategic goals by key personnel. This restructure of staffing resulted in approximately $500,000 of savings per annum.

Savings generated from these initiatives ensured that critical funds can now be redirected to core activities and commercialisation.

Executive transition and other appointments

After 10 years in the position of Managing Director, Ms Alison Coutts stepped down from this position in November 2023. Dr David Ali, who was Director of Business Development, was appointed Acting CEO and Executive Director replacing Alison Coutts on the Board.

Subsequently, Dr Ali was appointed to the position of Chief Executive Officer on a permanent full-time basis effective 1st June 2024.

On 13 March 2024, the Group enhanced its Board with the appointment of successful corporate executive Michael Atkins as an independent non-executive director.

During the financial year, the Group appointed Klean Gene Pty Ltd, a company established by experienced animal sector experts Michael Cameron and Rod Wellstead to assist the Group in evaluating commercial pathways for its animal applications.

Mr Cameron, who has significant experience in implementing strategic farming practices to develop agricultural farmlands into high performing assets, is assisting with Memphasys CEO and Memphasys Animal Breeding Solutions Project Team to undertake evaluations of the effectiveness and commercial potential of its Oxidative Stress measurement system and other products and devices generated by the research team at the University of Newcastle.

Mr Wellstead or other sub-contractors may also be engaged from time-to-time to assist Mr Cameron in the performance of services under the agreement.

Risk factors

The business is subject to a number of risks including:

Clinical trials and regulatory approval processes

- In Australia and other jurisdictions, we are required to apply for and receive regulatory authorization before we can market the Felix™ System and other products in our pipeline.
- The outcomes of our clinical trials in Australia, which are a requirement for obtaining regulatory approvals, may be delayed or unsuccessful.

- Unforeseeable complications and delays may arise in the regulatory approval process noting that regulatory agencies have substantial discretion in the approval process.
- Any future regulatory approvals that we receive may include requirements for post-market testing and surveillance to monitor the safety and effectiveness of the product which impose additional costs on our business.

Regulatory approval across multiple jurisdictions

- The approval process and the requirements governing clinical trials vary from country to country. The policies of the regulatory authorities may change, and additional government regulations may be enacted that could prevent, limit or delay the necessary approval of any products we are seeking to commercialize. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in any jurisdiction.
- In addition to regulatory approval, in many jurisdictions a medical device must also be approved for reimbursement before it can be approved for sale.
- Obtaining and maintaining regulatory approval for a product in one jurisdiction does not guarantee that we will be able to obtain or maintain similar approval in other jurisdictions.
- A failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others.

Pricing regulations or third-party coverage and reimbursement policies.

- We cannot guarantee that we will receive favourable pricing and reimbursement for use of the Felix™ System or other products which we may commercialise in the future.
- The rules and regulations that govern pricing and reimbursement for medical products vary widely from country to country. In some foreign jurisdictions, the government largely controls pricing of medical products. In other countries, coverage negotiations must occur at the regional or hospital level. Pricing negotiations can take considerable time after the receipt of marketing approval for a medical product.
- If we are unable to promptly obtain coverage and profitable payment rates from hospital budgets, government-funded and private purchasers for the Felix™ System or any future products, this could have an adverse effect on our financial performance.

Ongoing financial performance

- We have sustained operating losses for a number of years as we invested in our core technologies and the development of our now in-market Felix™ System. As we continue to invest in the development of new products, we may incur further losses until we have sufficient revenue to generate operating profits.
- Although we have secured a distribution agreement that is generating sales of the Felix™ System in "early market" jurisdictions, we require successful clinical trials and regulatory approval of the Felix™ System in "high access" markets in order to achieve substantial sales volumes. We may continue to incur losses until the Felix™ System can be sold into a broader range of international markets.

Sufficiency of funding

- We have been successful in raising funds to meet the requirements of the business in FY24 and have funded the development of a range of complex medical technologies over many years. However, given our limited financial resources we may need to raise further capital to facilitate the international roll-out of the Felix™ System, and to continue developing our future product pipeline.
- Our ability to raise capital in public markets in a timely manner may be impacted by external market forces that are outside our control.
- Our ability to attract funding from commercial partners in a timely manner may be impacted by competitior activities or shifts in the industry landscape that are beyond our control.

Success of third-party distributors

- We may rely on third-party distributors for our sales in certain jurisdictions. These distributors may not be successful in marketing and selling our products or may not commit sufficient resources to meet our sales targets.

- If we are not able to maintain our distribution network, if our distribution network is not successful in marketing and selling our products, or if we experience a significant reduction in, cancellation, or change in the size and timing of orders from our distributors, our potential revenues may be reduced, which would adversely impact our financial outcomes.

Competitive dynamics.

- The medical device, biotechnology and pharmaceutical industries are intensely competitive and subject to significant changes due to technology and medical practice standards. As a result, we may face a range of competitors with respect to any products we develop and commercialise.
- Our commercial opportunity could be reduced if our competitors develop and commercialise products that are more effective, more convenient or less expensive than our Felix™ System or any future products we develop.
- Our current or future competitors may have greater resources and/or expertise in certain areas of research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products.

Manufacturing costs

- As our industry evolves and competition develops, our success may depend, in part, on our ability to lower the manufacturing costs of our products while maintaining product performance and quality standards. If we are unable to reduce manufacturing costs, we may be constrained in our ability to set competitive pricing and maintain a competitive advantage.

Product development risk

- We have significant product development projects ongoing. The costs, timeline and ultimate success of these product development programs are subject to risk and uncertainty. If we are not able to develop and obtain regulatory approval for these products in a timely fashion and within budget, our future business prospects may be impacted.

Intellectual property protection

- Our ability to create value from our technological innovations is, in part, likely to be dependent on our ability to obtain and maintain meaningful patent protection for our technologies and products throughout the world. Therefore, in the ordinary course of business, we intend to apply for additional patents covering both our technologies and products, where appropriate.
- Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or developing competing products and technologies.
- Because patent law is evolving in the life sciences industry, the validity and enforceability of patents cannot always be predicted with certainty.
- The laws of various foreign countries in which we may compete may not protect our intellectual property.

Recruitment and retention of skilled personnel

- Our business that is commercialising innovative medical technology requires highly skilled personnel across a variety of disciplines.
- There is significant competition for these personnel in the local and international market.
- The unexpected loss of an employee with a particular skill could have an adverse effect on our operations until a replacement can be found and trained.
- Our business may be negatively impacted if we cannot attract, employ and retain skilled managerial, scientific, operational and finance personnel for our business on acceptable terms and in a timely manner.

Financial Performance

In the financial year ended 30 June 2024, the Group incurred a net loss from continuing operations of $4,442,021 (2023: net loss of $3,402,618). There were two main reasons causing the difference:

- termination payment paid to Alison Coutts of $342,540, and
- increased R&D costs of $669,312. Although the total expenditure on R&D activities decreased by $648,791 to $2,658,201 (2023: $3,306,992), following the trend from prior years the composition of this expenditure kept on moving from projects in 'development phase' (capitalised as Intangible Assets in the balance sheet) to projects in 'research phase' (released as R&D expenses to the P&L). Further to this, according to accounting standards, the treatment of the expenditure made on the Felix™ System post market-launch is to be differentiated between expenditure that will '*enhance*' versus expenditure that will '*maintain'* the asset's economic benefits potential, to be capitalised and released to the P&L, respectively. The table below shows the variances between projects and the resulting increase of $669,312 in R&D expenditure released to the P&L:

Breakdown of R&D expenditure		**2024**	**2023**	**Variation**
		$	$	$
Projects in "Development phase". Expenditure that will 'enhance' the asset's economic benefits potential				
Sperm separations human (Felix™)		519,595	1,799,590	(1,279,995)
Membranes		-	38,108	(38,108)
Total capitalised R&D expenditure	Note 14	**519,595**	**1,837,698**	**(1,318,103)**
Projects in "Development phase". Expenditure that will 'maintain' the asset's economic benefits potential				
Sperm separations human (Felix™)		485,520	-	485,520
Projects in "Research phase"				
New long-life sperm storage media (animal)		663,723	528,893	134,830
Rapid oxidative stress assay (RoXsta™)		989,363	646,791	342,572
Sub-total R&D projects in "Research phase"		1,653,086	1,175,684	477,402
Projects discontinued				
Rapid equine pregnancy prediction assay (Samson)		-	293,610	(293,610)
Sub-total R&D projects discontinued		-	293,610	(293,610)
Total R&D expenditure released to the P&L		**2,138,606**	**1,469,294**	**669,312**
Total R&D expenditure		**2,658,201**	**3,306,992**	**(648,791)**

The tax refund on R&D activities granted by the Federal Government ("Tax Incentive") continues to be the Group's main source of regular revenue. A Tax Incentive of $1,118,973 has been approved by AusIndustry for R&D expenditure incurred in the current financial year.

The Group finalised the financial year with a deficiency in working capital of $3,635,499 (2023: $3,318,560) and with net assets of $6,837,755 (2023: $7,384,689).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year other than the changes outlined above under the headings "Executive transition and other appointments" and "Premises relocation and staffing restructure".

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 28 August 2024, the Company issued 62.5M ordinary shares to Mr Andrew Goodall, the Company's second largest shareholder, at $0.008 per share raising $500,000 to be used to fund the ongoing commercialisation of the Felix device and development of ART products.

On 4 September 2024, the Company announced a three-year equine fertility study will be conducted in conjunction with the University of Newcastle and EquiBreedUK Ltd to establish Felix™ as the preferred technology for equine sperm selection, with the goal of enabling its rapid commercialisation post-publication of study results.

On 12 September 2024, the Company announced a capital raising via a placement to sophisticated and professional investors to raise A$1.0 million and a share purchase plan to raise up to a further A$1.0 million. The Company also received ongoing support from Peters Investments Pty Ltd, who agreed to extend the maturity date for his Convertible Notes to 30 June 2025 upon the Company obtaining shareholder approval. As the Company awaits formal approval of $2.0 million capital raise at the upcoming Extraordinary General Meeting, a $500,000 short-term loan facility from Keystonegroup Investments Pty Ltd, announced on 17 September 2024, will provide essential working capital to maintain the momentum of Memphasys' key commercialisation projects.

On 16 September 2024, the Company announced positive initial study results in a smaller study conducted to test the Felix™ System in the equine application. This smaller study was conducted as a precursor to the larger study announced 4 September 2024. The smaller study confirms that Felix™ System successfully isolates viable, low-ROS-producing frozen-thawed stallion spermatozoa, in 6 minutes significantly improving sperm quality, warranting the larger study for absolute confirmation.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SHARE OPTIONS

There were 234,675,332 unlisted options on issue at 30 August 2024.

Set out in the table below are summaries of options issued, exercised and lapsed during the year.

2024

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:								
30 Jul 2021	30 Jul 2024	30 Jun 2023	$0.0965	2,575,800	-	-	-	2,575,800
25 Aug 2021	31 Dec 2024	-	$0.0600	3,000,000	-	-	-	3,000,000
25 Aug 2021	31 Aug 2024	30 Jun 2023	$0.0944	1,593,000	-	-	-	1,593,000
14 Sep 2021	13 Sep 2023	-	$0.1000	3,000,000	-	-	(3,000,000)	-
6 Dec 2022	5 Dec 2024	-	$0.0237	2,500,000	-	-	-	2,500,000
18 Jan 2024	18 Jan 2026	-	$0.0200	-	106,613,948	-	-	106,613,948
15 Feb 2024	15 Feb 2026	-	$0.0200	-	105,000,000	-	-	105,000,000
15 Feb 2024	15 Feb 2027	-	$0.0149	-	13,392,584	-	-	13,392,584
Total				12,668,800	225,006,532	-	(3,000,000)	234,675,332
Weighted average exercise price per share				7.4¢	2.0¢	-	10.0¢	2.2¢
Weighted average remaining contractual life								944 days

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
30 June 2024

Set out in the table below are summaries of options issued during the year to directors and key management personnel:

2024

Related party	Grant date	Expiry date	Vesting commence -ment 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	Exercisable	Fair Value
Remunerated executives											
David Ali	15/02/24	15/02/27	(a)	$0.0149	-	6,696,292	-	-	6,696,292	6,696,292	($0.008)
Hassan Bakos	15/02/24	15/02/27	(a)	$0.0149	-	6,696,292	-	-	6,696,292	6,696,292	($0.008)
Total					-	13,392,584	-	-	13,392,584	13,392,584	

(a) Short-time incentive options have vested as at issue date and are issued as part of the employment agreement and under the Employee Share Option plan.

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 $95,468 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 and related entities, other than conduct involving a wilful breach of duty in relation to the Group.

The Group 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.

INDEMNIFYING AUDITORS

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Group.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2024 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 2024.

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 Group'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 Executive Director/CEO 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 Group's performance and the market position of Memphasys Limited. The remuneration packages are flexible to allow adjustment depending on Group and market circumstances as determined by the Nomination and Remuneration Committee and approved by the Board.

Employment contracts

Executive Director and CEO

The contract of the Executive Director and CEO, Dr David Ali, has no duration and stipulates that either party may terminate the employment by providing the other with three months' written notice. The Group may terminate the employment without any period of notice or payment in lieu of notice if the executive engages in serious misconduct.

Senior Executives

The contracts of the Senior Executives have no duration and stipulate that either party may terminate the employment by providing the other with three months' written notice. The Group 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 Executive Director and CEO's fees are determined independently to the fees of Non-Executive Directors based on responsibility of the role and are also in line with how this position is remunerated in the market by small-listed biotechnology companies. 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.

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 controlled entity with the highest authority levels for the year ended 30 June 2024 are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2024	Cash salary and fees $	Termination payments $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors:								
Andrew Goodall #	20,833	-	-	-	-	-	-	20,833
Paul Wright @	37,879	-	-	4,167	-	-	-	42,046
Robert Cooke @ (Chairman)	75,400	-	-	8,294	-	-	-	83,694
Michael Atkins ** @	6,029	-	-	663	-	-	-	6,692
Executive Directors:								
Alison Coutts # (MD / CEO)	247,029	342,540	5,310	31,969	10,298	-	-	637,146
David Ali * (Executive Director / CEO)	247,725	-	-	25,320	7,774	-	53,750	334,569
Other Key Management Personnel:								
John Aitken (Scientific Director)	237,993	-	-	26,179	11,525	-	9,750	285,447
Pablo Neyertz (Finance Director)	155,560	-	-	17,112	270	-	901	173,843
Hassan Bakos (Director of Operations)	215,000	-	-	23,650	4,237	-	53,750	296,637
	1,243,448	342,540	5,310	137,354	34,104	-	118,151	1,880,907

Resigned on 30 November 2023
* Appointed as acting Managing Director and CEO on 1 December 2023 and as Executive Director and CEO on 1 June 2024
** Appointed on 13 March 2024
@ Payment of director fees was paused from 1 May 2024

REMUNERATION REPORT – AUDITED (continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2023	Cash salary and fees $	Termination Payments $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors:								
Andrew Goodall	50,000	-	-	-	-	-	-	50,000
Paul Wright	45,454	-	-	4,773	-	-	-	50,227
Robert Cooke (Chairman)	90,623	-	-	9,515	-	-	20,530	120,668
Executive Directors:								
Alison Coutts (MD and CEO)	359,552	-	-	25,292	14,738	-	24,338	423,920
Other Key Management Personnel:								
John Aitken	224,615	-	-	24,277	374	-	13,000	262,266
Nick Gorring #	21,745	-	-	2,389	(1,012)	-	6,500	29,622
Pablo Neyertz	151,323	-	-	15,551	7,618	-	1,203	175,695
David Ali *	54,809	-	-	5,296	15	-	-	60,120
Hassan Bakos **	43,435	-	-	4,197	12	-	-	47,644
	1,041,556	-	-	91,290	21,745	-	65,571	1,220,162

Resigned on 25 August 2022
* Appointed on 27 March 2023
** Appointed on 24 April 2023

Share options granted to Directors and Executives

6,696,292 short-time incentive options were issued to David Ali and Hassan Bakos each as part of their employment agreements and under the Employee Share Option plan. These options have no service or performance conditions attached and were issued to David Ali with shareholder approval passed at AGM 14 February 2024, and to Hassan Bakos with board approval by circular resolution dated 31 May 2024.

The fair value of each set of options was $53,750 estimated using the Black-Scholes valuation model with the following assumptions:

- Stock price $0.0107 (30-day VWAP prior to the AGM)
- Exercise price $0.0149 (40% premium on stock price)
- Risk-free interest rate 3.82%
- Expiry period 3 years
- Volatility 140.9%
- Fair value per option $0.008

No share options were issued to Directors.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Directors, Executives and their option holding

2024	Balance at start of year	Granted as remuneration	Net movement	(Resigned) / Held at appointment	Balance at end of the year	Exercisable
Alison Coutts	1,593,000	-	9,502,773	(11,095,773)	-	-
Andrew Goodall	1,350,000	-	15,694,087	(17,044,087)	-	-
Robert Cooke	2,500,000	-	-	-	2,500,000	2,500,000
Michael Atkins	-	-	-	3,273,036	3,273,036	3,273,036
Pablo Neyertz	99,900	-	97,404	-	197,304	197,304
John Aitken	1,080,000	-	-	-	1,080,000	1,080,000
David Ali	-	6,696,292	-	-	6,696,292	6,696,292
Hassan Bakos	-	6,696,292	-	-	6,696,292	6,696,292
Total	**6,622,900**	**13,392,584**	**25,294,264**	**(24,866,824)**	**20,442,924**	**20,442,924**

No options were exercised during the year by KMP (2023: nil).

Directors, Executives and their shareholding

2024	Balance as at 1 July 2023 $	Net movement $	(Resigned) / Held at appointment $	Balance as at 30 June 2024 $
Alison Coutts	84,985,319	19,005,543	(103,990,862)	-
Andrew Goodall	171,898,505	(94,666,026)	(77,232,479)	-
Michael Atkins (a)	-	-	16,000,000	16,000,000
Pablo Neyertz	876,631	194,808	-	1,071,439
Total	**257,760,455**	**(75,465,675)**	**(165,223,341)**	**17,071,439**

(a) Michael Atkins' shareholding comprises 9,500,000 shares held directly and 6,500,000 held indirectly.

Transactions with related parties

i) At 30 June 2024, payables to related parties were as follows:

	2024 **$**	2023 $
Andrew Goodall director fees	**-**	4,583
Alison Coutts Consulting Pty Ltd consulting fees	**27,720**	-
Robert Cooke director fees	**16,667**	-
Paul Wright director fees	**8,333**	-
Michael Atkins director fees	**8,333**	-
	61,053	4,583

ii) Loans payable to related parties - principal:

Current balances:	**2024** **$**	2023 $
Andrew Goodall	**-**	43,200
Andrew Goodall #	**50,000**	-
Total	**50,000**	43,200

advance of a placement of shares issued subsequent to the end of the financial year. Refer to Note 18.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

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

	Interest paid		Interest accrued	
	2024	2023	**2024**	2023
	$	$	**$**	$
Andrew Goodall	**4,730**	-	**11,372**	-
Alison Coutts	**166**	1,463	**360**	1463
Alison Coutts Consulting Pty Ltd	**304**	-	**304**	-
	5,200	1,463	12,036	1,463

Other transactions with Directors, Executives and their related parties

The Company received loans from:
- Non-Executive Director Andrew Goodall, for $218,000,
- MD and CEO Alison Coutts' SMSF, for $14,000, and
- MD and CEO Alison Coutts, for $11,000.

The first two of these loans, plus interest of $6,642.08 and $193.32 respectively, were converted to shares after being approved by shareholders in EGM held on 14 February 2024. The last loan was repaid with nil interest on 12 December 2023.

Other transactions between Memphasys Limited and other entities in the wholly owned group during the year ended 30 June 2024 consisted of loans advanced by Memphasys Limited to its controlled entity, Feronia Fertility Pty Ltd which have been eliminated for the purposes of consolidation.

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024	**2023**	**2022**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**
Sales revenue	60,000	15,371	27,148	-	-
EBITDA (loss)	(3,328,435)	(2,379,699)	(2,126,693)	(1,139,974)	(898,891)
EBIT (loss)	(4,040,822)	(2,992,538)	(2,249,904)	(1,399,461)	(1,095,122)
Loss after income tax	(4,442,021)	(3,402,618)	(2,081,964)	(1,486,432)	(1,133,879)

The factors that are considered to affect the shareholders return are summarised below:

	2024	**2023**	**2022**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**
Share price at financial year end	0.007	0.014	0.040	0.064	0.050
Total dividends "declared"	-	-	-	-	-
Basic earnings/(loss) per share (dollar per share)	(0.0019)	(0.0018)	(0.0027)	(0.0020)	(0.0008)

Likely developments and expected results of operations

There are no likely developments other than the informed in the Review of Operations and Note 30 Events after Balance Date.

The business relocation and the review of the workforce (less use of external consultants) will generate significant savings in overheads, as reported in the Review of Operations under the heading Premises relocation and staffing restructure.

This concludes the Remuneration Report, which has been audited.

CORPORATE GOVERNANCE

The Company’s corporate governance statement is published on the Company’s 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.

Dr David Ali
Chief Executive Officer

Sydney
18 September 2024

Pitcher Partners Sydney
ABN 17 795 780 962

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

Postal address
GPO Box 1615
Sydney NSW 2001

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

pitcher.com.au

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 2024, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

RJ Shanley

R M Shanley
Partner

Pitcher Partners
Sydney

18 September 2024

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Notes	2024 $	2023 $
Continuing operations:			
Revenue	5	**60,000**	15,371
Grant income	5	**929,301**	587,999
Income on fair value of convertible note options	5	**96,000**	21,000
Other Income	5	**188,541**	50,398
Total revenue		**1,273,842**	674,768
Direct cost		**(58,394)**	(6,150)
Other production costs		**(57,070)**	(1,183)
Employee benefit expenses		**(852,658)**	(221,243)
Research and development expenses		**(2,138,606)**	(1,469,294)
Depreciation and amortisation expenses	6	**(717,163)**	(619,442)
Finance cost expenses	6	**(417,133)**	(428,197)
Marketing expenses		**(111,271)**	(150,631)
Director expenses		**(183,438)**	(208,687)
Corporate consultants' expenses		**(392,409)**	(362,110)
Compliance, audit, tax and legal expenses		**(331,952)**	(263,329)
Other expenses		**(455,769)**	(347,120)
Total expenses		**(5,715,863)**	(4,077,386)
Loss before income tax expense from continuing operations		**(4,442,021)**	(3,402,618)
Income tax expense	7	**-**	-
Loss after income tax expense from continuing operations		**(4,442,021)**	(3,402,618)
Net loss for the year attributable to members of parent		**(4,442,021)**	(3,402,618)
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		**(12,000)**	(48,000)
Total other comprehensive income / (expense) for the period		**(12,000)**	(48,000)
Total comprehensive loss for the period attributable to the owners of Memphasys Limited		**(4,454,021)**	(3,450,618)
Earnings per share (EPS)	8	Dollar/share	Dollar/share
– basic loss per share		(0.0019)	(0.0018)
– diluted loss per share		(0.0019)	(0.0018)

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 2024

	Notes	2024 $	2023 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**277,802**	637,832
Inventories	10	**164,761**	130,786
Other current assets	11	**1,176,000**	1,480,113
TOTAL CURRENT ASSETS		**1,618,563**	2,248,731
NON-CURRENT ASSETS			
Financial assets at fair value through OCI	12	**14,000**	26,000
Property, plant and equipment	13	**348,359**	428,140
Intangible assets	14	**10,089,761**	10,294,734
Right-of-use asset	15	**359,464**	1,670,236
TOTAL NON-CURRENT ASSETS		**10,811,584**	12,419,110
TOTAL ASSETS		**12,430,147**	14,667,841
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**521,374**	555,457
Interest-bearing liabilities	17	**4,363,174**	4,469,437
Non-interest-bearing liabilities	18	**50,000**	77,330
Lease liabilities	15	**60,113**	110,913
Other liabilities	19	**70,800**	47,647
Provisions for employee benefits	20	**188,601**	306,507
TOTAL CURRENT LIABILITIES		**5,254,062**	5,567,291
NON-CURRENT LIABILITIES			
Lease liabilities	15	**335,912**	1,714,506
Provisions for employee benefits	20	**2,418**	1,355
TOTAL NON-CURRENT LIABILITIES		**338,330**	1,715,861
TOTAL LIABILITIES		**5,592,392**	7,283,152
NET ASSETS		**6,837,755**	7,384,689
EQUITY			
Issued capital	21	**57,280,290**	53,417,790
Reserves	23	**(12,449)**	140,129
Accumulated losses		**(50,430,086)**	(46,173,230)
TOTAL EQUITY		**6,837,755**	7,384,689

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

Memphasys Limited and its Controlled Entities
ABN 33 120 047 556

Consolidated statement of changes in equity
For the year ended 30 June 2024

	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance 1 July 2023		**53,417,790**	**140,129**	**(46,173,230)**	**7,384,689**
Movement					
Loss for the year		-	-	(4,442,021)	(4,442,021)
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		-	(12,000)	-	(12,000)
Total comprehensive income for the period		**-**	**(12,000)**	**(4,442,021)**	**(4,454,021)**
Issue of share capital	21	4,232,278	**-**	**-**	**4,232,278**
Transaction costs on share issue	21	(369,778)	-	-	(369,778)
Share options issued	23	-	44,587	-	44,587
Expired share options transferred to Accumulated Losses	23	-	(185,165)	185,165	-
Balance 30 June 2024		**57,280,290**	**(12,449)**	**(50,430,086)**	**6,837,755**
Balance 1 July 2022		**50,340,937**	**76,209**	**(42,770,612)**	**7,646,534**
Movement					
Loss for the year		-	-	(3,402,618)	(3,402,618)
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		-	(48,000)	-	(48,000)
Total comprehensive income for the period		**-**	**(48,000)**	**(3,402,618)**	**(3,450,618)**
Issue of share capital	21	3,360,418	-	-	3,360,418
Transaction costs on share issue	21	(283,565)	-	-	(283,565)
Share options issued	23	-	111,920	-	111,920
Balance 30 June 2023		**53,417,790**	**140,129**	**(46,173,230)**	**7,384,689**

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 2024

	Notes	**2024** $	2023 $
Cash flows from operating activities			
Receipts from customers		**60,000**	15,371
Payments to suppliers and employees		**(4,465,011)**	(2,838,246)
Government grant receipts		**1,315,088**	1,504,045
Recoupment of legal fees		**-**	12,725
Interest received		**10,606**	13,093
Finance costs		**(152,058)**	(113,657)
Net cash flows used in operating activities	9 (a)	**(3,231,375)**	(1,406,669)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**-**	(6,197)
Receipts from sale of property, plant and equipment		**4,545**	-
Payment for cleanroom setup		**(77,334)**	(154,668)
Payments for internal development		**(638,257)**	(1,815,835)
Net cash flows used in investing activities		**(711,046)**	(1,976,700)
Cash flows from financing activities			
Proceeds from issue of shares		**3,721,001**	3,360,416
Share issue costs		**(367,974)**	(283,565)
Receipts from third-party loans		**846,454**	849,000
Repayment of third-party loans		**(849,000)**	-
Receipts from related party loans		**487,000**	-
Repayment of related party loans		**(195,000)**	(75,000)
Repayment of lease liabilities		**(102,840)**	(98,727)
Net cash flows provided by financing activities		**3,539,641**	3,752,124
Net (decrease) / increase in cash		**(402,780)**	368,755
Cash and cash equivalents at beginning of year		**637,832**	269,077
Cash at end of year	9	**235,052**	637,832

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

Consolidated entity disclosure statement
As at 30 June 2024

Memphasys Limited is required by Australian Accounting Standards to prepare consolidated financial statements in relation to the Company and its controlled entities (the Group).

In accordance with subsection 295(3A) of the *Corporations Act 2001*, this consolidated entity disclosure statement provides information about each entity that was part of the consolidated entity at the end of the financial year.

Name of entity	Country of Incorporation	Type of entity	Percentage of share capital held	Australian tax resident or foreign tax resident	Foreign tax jurisdiction (if applicable)
Feronia Fertility Pty Ltd	Australia	Body corporate	100	Australian	n/a
KaoSep Inc.	United States	Body corporate	100	Foreign	USA
MemSep Pty Ltd	Australia	Body corporate	100	Australian	n/a
InqSep Inc.	United States	Body corporate	100	Foreign	USA
Kaogen Pty Ltd	Australia	Body corporate	100	Australian	n/a

At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

1. Corporate information

Memphasys Limited (the 'Company') is a company domiciled in Australia, with registered office and principal place of business in Level 1, 34 Richmond Road, Homebush, NSW 2140. The consolidated financial statements of the Company as at and for the year ended 30 June 2024 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 18 September 2024.

b) Basis of measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost except for those classes of assets and liabilities carried at fair value.

c) 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);
- Useful life for amortisation of intangible assets – refer to Note 3(f)(iii);
- Intangible assets impairment review – refer to Note 14(d); and
- Determining the lease term when recognising the right-of-use asset and lease liability – refer to Note 15.

3. Material accounting policy information

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 2024 of $4,442,021 (2023: $3,402,618).
- For the year ended 30 June 2024 the Group has net cash outflows from operating activities of $3,231,375 (2023: $1,406,669) and net cash outflows from investing activities of $711,046 (2023: $1,976,700).
- At 30 June 2024, the Group had a deficit in working capital of $3,635,499 (2023: $3,318,560).
- At 30 June 2024, the Group had net assets of $6,837,755 (2023: $7,384,689).

The Group's focus for the next twelve months is to:

- Build Felix™ commercial sales in Japan and achieve initial sales in New Zealand and Canada, and in any other "early market" jurisdictions;
- Complete the Felix™ System clinical trial in Australia to pave the way for TGA registration and to also utilise the trial data to enable an application for CE Mark registration in Europe.
- Further develop the RoXsta™ and conduct initial KOL testing on the device.
- Further develop the Memphasys Animal Breeding Solutions (MABS) project including the development of AI-Port.

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 $1,118,973 which is expected to be received in September 2024. It is noted that the short-term loan of $586,454 will be repayable on receipt of the R&D tax claim.
- Existing shareholders of the Company have provided funds subsequent to year end and continue to show financial support to the Group.
- The Company has, subsequent to year end:
    - placed shares raising $450,000 in July 2024, and
    - announced a capital raising via a placement to sophisticated and professional investors to raise A$1.0 million and a share purchase plan to raise up to a further A$1.0 million (with $500,000 loan facility available until formal approval for the capital raising at the upcoming Extraordinary General Meeting).
    - received ongoing support from Peters Investments Pty Ltd to extend the maturity date for his Convertible Notes to 30 June 2025 upon the Company obtaining shareholder approval.
- The Group plans to complete further fund raising in the second half of the financial year 2025 to provide sufficient funds for planned operations. This may include additional equity raising and/or funding from potential corporate and industry partners with respect to funding some of its product development activities.
- The Group has the ability to slow activity and reduce development expenditure should this be required.

Based on the above, the Group will continue to access funding to advance the full commercialisation of the Felix™ System and the development of the RoXsta™ device and MABS.

3. Material accounting policy information (continued)

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 which may cast significant doubt as to whether the Group may in the future not 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.

b) Segment reporting

Although the Group has started commercialising the Felix™ System in the prior year and the operating results of this particular business are not being regularly reviewed by the entity management yet. Therefore, the Group still only has one segment being Reproductive Technologies.

c) Financial instruments

Financial assets
Financial assets are measured at either amortised cost or fair value on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Financial liabilities
All financial liabilities recognised by the Group are subsequently measured at amortised cost.

The effective interest method is used to allocate interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments (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 liability. Revisions to expected future net cash flows necessitate an adjustment to the carrying value with a consequential recognition 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.

Derivatives
A derivative is a financial instrument that derives its value from another asset or liability. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is an attempt to put an objective price on a financial instrument, either instead of or in the absence of its current market price.

Calculating the fair value of derivatives involves taking into account factors that affect how likely the derivative is to prove beneficial to the holder.

d) 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.

3. Material accounting policy information (continued)

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. A useful life of 20 years is being used in the calculation of amortisation.

iv) Impairment

Impairment testing is performed annually for intangible assets with indefinite lives or assets under development.

e) Impairment of non-financial 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.

f) 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.

3. Material accounting policy information (continued)

g) Leases

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 Group 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.

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 Group'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.

h) Revenue

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

3. Material accounting policy information (continued)

i) 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.

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, and amortised over the estimated useful life of the intangible assets (please refer to Note 3.d)*(iii)*). Government grants relating to costs incurred in the profit or loss statement are recognised as grant income in the same period.

j) Rounding of amounts

The Group 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.

k) New Accounting Standards adopted by the Group

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, which did not have an impact on the numbers recognised in the accounts.

l) New Accounting Standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

	2024 $	2023 $
Statement of financial position		
Assets:		
Current assets	**11,655,760**	14,092,428
Total assets	**11,669,761**	14,118,429
Liabilities:		
Current liabilities	**4,829,588**	4,925,106
Total liabilities	**4,832,006**	4,929,461
Equity:		
Issued capital	**57,280,290**	53,417,790
Accumulated losses	**(50,430,086)**	(44,368,952)
Options reserve	**(12,449)**	140,129
Total equity	**6,837,755**	9,188,967
Statement of profit or loss and other comprehensive income		
Total loss for the year	**(6,246,299)**	(1,631,693)
Total comprehensive expense for the year	**(6,246,299)**	(1,631,693)

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

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 2024, Memphasys Limited had no contingent liabilities (2023: Nil).

Contractual commitments

At 30 June 2024, Memphasys Limited had a contractual commitment up to February 2025 to pay $366,239 to the University of Newcastle to work on the development of reproductive technologies in reproductive health to develop novel products for the Assisted Reproductive Technology (ART) industry.

Contingent assets

At 30 June 2024, Memphasys Limited had no contingent assets.

5. Revenue / other income

	Note	2024 $	2023 $
Revenue from contract with customers			
Revenue from sales at a point in time		**60,000**	15,371
Total revenue		**60,000**	15,371
Grant income			
Grant income – R&D Tax Incentive Scheme	14	**929,301**	587,999
Total grant income		**929,301**	587,999
Other income			
Finance income		**11,076**	13,253
Recoupment of legal fees		**-**	37,145
Gain from derecognition of lease asset and liability	15	**172,920**	-
Gain from sale of property, plant & equipment		**4,545**	-
Total other income		**188,541**	50,398
Fair value movement of convertible note options		**96,000**	21,000
Total revenue, grant and other income		**1,273,842**	674,768

6. Loss for the year

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

	Note	2024 $	2023 $
Expenses			
Depreciation and amortisation:			
Depreciation plant and equipment		**78,544**	79,465
Depreciation right-of-use asset	15	**103,722**	45,328
Amortisation intangible assets	14	**534,897**	494,649
Total depreciation expense		**717,163**	619,442
Finance costs:			
Interest expense on leases	15	**98,424**	111,420
Loan expenses		**4,858**	4,864
Interest expense on loans with related parties		**301,815**	311,913
Interest expense on loans with third parties		**12,036**	-
		417,133	428,197
Staff costs:			
Salaries #		**1,825,401**	1,195,172
Superannuation #		**157,511**	109,105
Employee share-based payments		**44,587**	91,390
Salaries capitalised under development expenditure		**(754,765)**	(918,877)
Superannuation capitalised under development expenditure		**(64,835)**	(84,115)
Legal fees		**45,272**	60,287

Includes amounts which have been capitalised under development expenditure.

7. Income tax expense

a) Income tax expense

	2024	2023
	$	$
Income tax reported in the consolidated statement of profit or loss and other comprehensive income	**-**	-

b) Reconciliation of effective tax rate

	2024	2023
	$	$
Accounting loss before tax from continuing operations	**(4,442,021)**	(3,402,618)
Prima facie tax benefit on loss from ordinary activities before income tax at 25% (2023: 25%)	**(1,110,505)**	(850,655)
Less:		
Tax effect of:		
Non-deductible expenditure	**545,798**	362,336
Research and development tax incentive (non-assessable)	**(232,325)**	(147,000)
Current year tax losses carried forward	**797,032**	635,318
Income tax expense recorded in the consolidated 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 books at 30 June 2024. The unused tax losses (including capital losses) held in the Australian group of companies as at 30 June 2024 is $41,201,355. 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:

	2024 **$**	2023 $
Loss after tax from operations	**(4,442,021)**	(3,402,618)
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	**2,310,465,330**	1,841,679,638
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**2,310,465,330**	1,841,679,638
Earnings per share	Dollar/share	Dollar/share
Basic loss	(0.0019)	(0.0018)
Diluted loss	(0.0019)	(0.0018)

9. Cash and cash equivalents

	2024 **$**	2023 $
Cash at bank	**235,052**	637,832
Term deposit	**42,750**	-
	277,802	637,832

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

	2024 **$**	2023 $
Loss from ordinary activities after income tax expense:	**(4,442,021)**	(3,402,618)
Depreciation and amortisation	**717,163**	612,839
Gain on derecognition of lease asset and liability	**(172,920)**	-
Grant income	**(929,301)**	(587,999)
Unrealised Income on Fair Value of convertible note options	**(96,000)**	(21,000)
Share option reserve	**44,587**	111,920
	(4,878,892)	(3,286,858)
Change in operating assets and liabilities:		
(Increase)/decrease in other current assets	**304,113**	192,278
(Increase)/decrease in inventories	**(33,975)**	(43,704)
Increase/(decrease) in trade and other payables	**(34,083)**	(4,256)
Increase/(decrease) in accrued interest	**345,717**	314,538
Increase/(decrease) in other liabilities	**23,153**	13,885
Increase in provisions	**(116,843)**	(11,117)
Increase in intangible assets	**1,159,035**	1,418,565
Net cash outflows from operating activities	**(3,231,375)**	(1,406,669)

9. Cash and cash equivalents (continued)

b) Non-cash transactions on investing and financing activities

	2024 $	2023 $
Share-based payments	**44,587**	111,920
Movements in convertible notes	**162,320**	283,403
New lease Homebush	**77,570**	-
	284,477	395,323

10. Inventories

	2024 $	2023 $
Raw materials – at cost	**37,808**	37,808
Finished goods – at cost	**126,953**	92,978
	164,761	130,786

11. Current assets – other assets

	2024 $	2023 $
Term deposit – bank guarantee rent Homebush *	**-**	42,750
Security deposits	**-**	5,290
Prepaid expenses	**57,027**	116,986
Amount receivable under R&D Tax Incentive Scheme	**1,118,973**	1,315,087
	1,176,000	1,480,113

* Rental bond related to lease 30-32 Richmond Road, Homebush, reclassified as Cash Equivalents after moving to a new office in June 2024.

Reconciliation of grant income receivable

	Note	**2024 $**	2023 $
Analysis of grant income receivable:			
Component relating to projects under development	14(a)	**189,672**	727,088
Recognised as grant income in the current year	5	**929,301**	587,999
Total government grants receivable		**1,118,973**	1,315,087

12. Financial assets at fair value through OCI

	2024 $	2023 $
Investment in Hydrix Limited	**14,000**	26,000
	14,000	26,000

13. Property, plant and equipment

	2024 $	2023 $
Plant and equipment:		
At cost	**428,140**	1,436,878
Accumulated depreciation	**(78,544)**	(1,008,738)
Disposals	**(1,237)**	-
Balance at the end of the period	**348,359**	**428,140**
Leasehold improvements:		
At cost	**-**	592,357
Accumulated depreciation	**-**	(592,357)
Balance at the end of the period	**-**	-
Net carrying value at 30 June 2024	**348,359**	**428,140**

14. Intangible assets

a) Reconciliation of movements in intangible assets

	Note	2024 $	2023 $
Cost:			
Balance at the start of the period		**18,093,536**	16,255,838
Additions		**519,595**	1,837,698
Balance at the end of the period		**18,613,131**	**18,093,536**
Less Accumulated grant income:			
Balance at the start of the period		**7,304,152**	6,577,06
Deferred R&D Tax Incentive grant income for the year	14(c)	**189,672**	727,088
Balance at the end of the period		**7,493,824**	7,304,152
Less Accumulated amortisation:			
Balance at the start of the period		**494,649**	-
Amortisation	6	**534,897**	494,649
Balance at the end of the period		**1,029,545**	494,649
Net carrying value at 30 June 2024		**10,089,761**	**10,294,734**

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 are amortised when they are available for use. A useful life of 20 years is being used in the calculation of amortisation of the *Sperm Separation Humans* and *Membranes for the Felix™ System* projects.

14. Intangible assets (continued)

b) Reconciliation of intangible assets carrying value by project

	2024 $	2023 $
Felix™ System - sperm separations humans - cost	***9,246,164***	*8,916,240*
Less Felix™ System - sperm separations humans - accumulated amortisation	***(929,301)***	*(445,812)*
Felix™ System - sperm separations humans	**8,316,863**	8,470,428
Equus Device - sperm separations animals	**896,400**	896,400
Membranes for Felix™ System - cost	***976,743***	*976,743*
Less Membranes for Felix™ System - accumulated amortisation	***(100,245)***	*(48,837)*
Membranes for the Felix™ System	**876,498**	927,906
	10,089,761	10,294,734

d) Impairment review of intangible assets under development

In assessing whether there are any indicators of impairment relating to the Felix™ System the following factors have been considered:

- The contract manufacturers for the Felix™ cartridges, W&S, the largest plastic moulding manufacturer in the southern hemisphere, and the Felix™ consoles, SRX a global electronic manufacturer, are positioned to produce commercial Felix™ devices.
- One of the key outcomes of the Group's heightened commercialisation strategy eventuated early in the 2024 financial year in the signing of an exclusive agreement with Vitrolife, to sell and distribute the Felix™ System in Japan. Further in the middle of 2024 financial year this agreement was extended to Canada and NZ. The strategic collaboration enhances the availability of cutting-edge fertility treatment for MEM in these countries.
- Further, the Felix™ System continues to be evaluated in an Australian clinical trial with Monash IVF. Achieving the clinical end point (embryo utilisation rate not being inferior to embryo utilisation rates from embryos created by processing of sperm by DGC or swim up) is crucial for achieving TGA certification in Australia. Having TGA certification is expected to provide access to other markets e.g. in the Middle East and in Southeast Asia and potentially enable the device to obtain CE Mark certification in Europe. The clinical trial is now anticipated to finish by the end of 2024 calendar year.
- The key risk to the Felix™ System's commercialisation is the regulatory approval timelines in highly regulated markets, most notably Australia (TGA), the 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.
- Further peer reviewed publications notably from Australia, Japan and India continue to reassure the market that the technology is safe and has several advantages over existing sperm selection methodologies.
- The clinical trials and commercialisation of the Felix™ System will be supported by the significant operational savings achieved in recent times, which will ensure that generated funds will be directed to key strategic goals, including the Felix™ System.
- Memphasys is confident it will attract sufficient funding in the coming year to advance the commercialisation of the Felix™ System.

Based on the above, the Group have concluded that there are no indicators of impairment.

Further to the above, a calculation has been done assessing those 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. This assessment was based on value-in-use calculations, which required the use of assumptions based on experience from limited atypical markets. The calculations used cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% (2023: 2%). A discount rate of 16.85% (2023: 16.85%) was used in the value-in-use calculations.

The outcome of this calculation showed that the 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, which led to the management to conclude that the intangible assets under development are not to be impaired.

15. Right-of-use asset and lease liability

At 30 June 2024, the Group had the following lease arrangements:

- A new non-cancellable sublease was signed for its commercial property at 34 Richmond Road, Homebush, starting on 1 June 2024 which has a remaining term of 23 months. It includes a further two (2) options to renew the lease for two (2) years each, being the first term from 1 June 2026 expiring 31 May 2028 and the second term from 1 June 2028 expiring 31 May 2030. As there is neither no significant financial incentive for the Group to renew the rent nor specific investment in the new office, the lease asset and liability was calculated on the of initial term of two years, using an incremental borrowing rate of 10%. The previous lease agreement in the property at 30-32 Richmond Road, Homebush, expired on 31 May 2024, included three (3) options of three (3) years each, which originally were expected to be exercised and thus included in the calculation of the lease asset and liability. However, these options were finally not exercised resulting in a gain from derecognition, as follows:

	Note	$
Balances at 31 May 2024:		
Lease liability		**1,401,242**
Lease asset		**(1,228,322)**
Gain from derecognition of lease asset and liability	5	**172,920**

- A lease for the cleanroom to manufacture the Felix™ disposable cartridges, built in the premises of W&S, in Moorebank. Although the lease agreement has not yet been formalised, it has been agreed that the amount of $40,000 a year, which has been set at market rates, will give the Group the exclusive rights to use the cleanroom. The lease term was determined to include the initial three (3) years lease term which expired on 30 June 2024 and three (3) options to renew the lease for three (3) years each, and an incremental borrowing rate of 6%.

	2024 $	2023 $
Non-current assets – right-of-use assets		
Properties under lease agreements		
Homebush #		
At cost	77,570	1,637,763
Accumulated depreciation	(3,232)	(284,334)
	74,338	**1,353,429**
Moorebank		
At cost	380,167	380,167
Accumulated depreciation	(95,041)	(63,360)
	285,126	**316,807**
Total carrying amount of lease assets	**359,464**	**1,670,236**
Lease liabilities - current		
Property lease liabilities – Homebush #	36,631	89,587
Property lease liabilities - Moorebank	23,482	21,326
Total current lease liabilities	**60,113**	**110,913**
Lease liabilities – non-current		
Property lease liabilities – Homebush #	38,056	1,393,168
Property lease liabilities - Moorebank	297,856	321,338
Total non-current lease liabilities	**335,912**	**1,714,506**
Net carrying value at 30 June	**396,025**	**1,825,419**

Amounts in financial year 2024 relate to lease at 34 Richmond Road, whereas comparative amounts relate to lease at 30-32 Richmond Road, both in Homebush.

15. Right-of-use asset and liability (continued)

	2024 $	2023 $
AASB 16 Future Lease Payments as at period end:		
Within a year	83,721	216,051
Later than one but not later than five years	264,238	1,176,973
Later than five years	151,451	3,044,389
Total Future Lease Payments	**499,410**	**4,437,413**

AASB 16 related amounts recognised in the Statement of Profit and Loss	**Note**	**2024** $	2023 $
Depreciation Charge related to Right of Use Assets	6	103,722	45,328
Interest Expense on Lease Liabilities (under Finance Costs)	6	98,424	111,430
Total expenses recognised in the Statement of Profit and Loss		**202,146**	**156,758**

16. Trade and other payables

	Note	**2024** $	2023 $
Trade payables		**393,921**	115,434
Payable to related parties	25(g)(*i*)	**61,053**	4,583
Other creditors and accruals (details in table below)		**66,400**	435,440
		521,374	555,457

Other creditors and accruals	**2024** $	2023 $
University of Newcastle – unbilled research fees	**-**	133,000
Monash IVF – unbilled collaboration fees	**-**	240,000
Unbilled legal fees	**-**	6,700
Unbilled development fees	**20,800**	18,240
Unbilled audit fees	**32,100**	28,800
Unbilled tax fees	**10,000**	8,000
Others unbilled fees	**3,500**	700
	66,400	435,440

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 27.

17. Interest-bearing liabilities

	Note	2024 $	2023 $
Current:			
Convertible note unsecured - Related party liability	25(g)(*ii*)	**-**	43,200
Convertible note unsecured - Third-party debt		**3,776,720**	3,571,200
Third-party loan - secured		**586,454**	855,037
Total current interest-bearing liabilities		**4,363,174**	4,469,437

2024 Analysis of convertible note unsecured	**Curr-ency**	**Interest rate**	**Maturity**	**Face value**	**Carrying value**
Third-party debt–Peters Investments Pty Ltd					
Convertible notes principal *(i)*	AUD	8%	Dec ‘24	**3,000,000**	**2,738,325**
Convertible notes facilitation fees *(i)*					**83,899**
Convertible notes interest *(i)*					**954,496**
Subtotal third-party debt Peters Investments Pty Ltd				**3,000,000**	**3,776,720**

2024 Analysis of third-party debt	**Currency**	**Interest rate**	**Maturity**	**Face value**	**Carrying value**
Third party loan - secured	AUD	15%	Nov ‘24	586,454	586,454

Short-term loan secured against the amount receivable under the R&D Tax Incentive Scheme.

Total current interest-bearing liabilities	**3,586,454**	**4,363,174**

2023 Analysis of convertible note unsecured	**Curr-ency**	**Interest rate**	**Maturity**	**Face value**	**Carrying value**
Related party liability–Andrew Goodall					
Convertible notes attached options *(ii)*	AUD			-	**43,200**
Subtotal related party liability Andrew Goodall				**-**	**43,200**
Third-party debt–Peters Investments Pty Ltd					
Convertible notes principal *(i)*	AUD	8%	Dec ‘23	**3,000,000**	**2,738,325**
Convertible notes facilitation fees *(i)*					**85,855**
Convertible notes interest *(i)*					**694,220**
Convertible notes attached options *(ii)*					**52,800**
Subtotal third-party debt Peters Investments Pty Ltd				**3,000,000**	**3,571,200**

17. Interest-bearing liabilities (continued)

2023 Analysis of third-party debt	Currency	Interest rate	Maturity	Face value	Carrying value
Third party loan - secured	AUD	16%	2023	849,000	855,037

Short-term loan secured against the amount receivable under the R&D Tax Incentive Scheme.

Total current interest-bearing liabilities	**3,849,000**	**4,469,437**

(i) In May 2021, Andrew Goodall and Peters Investments Pty Ltd subscribed for unsecured Convertible Notes in the Company, with a combined value of $3,000,000. The material terms of the Convertible Notes are:

- Interest rate of 8% per annum, payable in cash or shares at the Lender's election.
- Facilitation Fee of 3% of gross value of Convertible Notes, added to the gross value of the Convertible Notes.
- Repayment Date: 31 December 2024 (originally 31 December 2022)
- Conversion Price: the lower of:
  - $0.06; and
  - a 20% discount to the issue price of shares and/or the exercise price of any options offered under any capital raising(s) completed by the Company of greater than $1,000,000 prior to the Repayment Date.
- Shareholder approval was obtained at the EGM held on 24 August 2021.

In January 2022, Andrew Goodall sold his convertible note, with a face value of $1,350,000, to Peters Investments Pty Ltd, retaining the 1,350,000 unlisted options attached to it.

In the AGM held on 24 November 2022, approval was given by shareholders for the Company to extend the maturity date of the 3,000,000 convertible notes held by Peters Investments Pty Ltd to 31 December 2023.

On 30 November 2023, the Company entered into agreement with Peters Investments Pty Ltd (**Deed of Variation**), pursuant to which the maturity date of the convertible note was further extended from 31 December 2023 to 15 February 2024. In addition, pursuant to the Deed of Variation, it was agreed that subject to receipt of shareholder approval to enable Peters Investment Pty Ltd to increase is voting power in the Company (from a starting position above 20%) as a result of the issue of shares upon conversion of the convertible note, the maturity date of the convertible note would be further extended from 15 February 2024 to 31 December 2024, which finally occurred after receiving such shareholder approval on EGM held at 14 February 2024.

(ii) In addition to the material terms and conditions of the Convertible Notes as set out above, the Company has agreed to issue one (1) unlisted option to the investors for every dollar of Convertible Notes subscribed, exercisable at $0.06 on or before 31 December 2024. The fair value is estimated using the Black-Scholes valuation model.

18. Non-interest-bearing liabilities

	Note	**2024**	2023
		$	$
Current:			
Third-party debt – unsecured *	25(g)*(ii)*	**50,000**	-
Third-party debt – unsecured **		**-**	77,330
Total current non-interest-bearing liabilities		**50,000**	77,330

** Advance received from major shareholder Mr Andrew Goodall as part of the Subscription Agreement with the Company, agreeing to subscribe for 62.5 million shares at an issue price of 0.8 cents per share, to raise $500,000 (before costs), as announced to the market on 29 July 2024. Please refer to Note 30 Events after Balance Date.

18. Non-interest-bearing liabilities (continued)

** 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 the Group from W&S. In March 2021, the Group rearranged with W&S for the debt to be paid for in three years, in quarterly instalments of $38,667.

19. Other liabilities

	2024 **$**	2023 $
Office of State Revenue NSW – payroll tax	**62,263**	23,771
Australian Taxation Office – GST	**(23,399)**	(20,871)
Australian Taxation Office – PAYG	**31,936**	44,747
	70,800	47,647

20. Provisions

	2024 **$**	2023 $
Current:		
Provision for employee benefits	**188,601**	306,507
Non-current:		
Provision for employee benefits	**2,418**	1,355

21. Share capital

a) Share capital

	2024 Shares	2023 Shares	**2024 $**	2023 $
Ordinary Shares – fully paid	**1,382,748,156**	959,520,382	**57,280,290**	53,417,790

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

	2024 Shares	2023 Shares	**2024 $**	2023 $
Balance at beginning of year	**959,520,382**	792,178,337	**53,417,790**	50,340,937
Shares issued under share placement	**210,000,000**	80,000,000	**2,100,000**	1,600,000
Shares issued under non-renounceable entitlement offer	**213,227,774**	88,020,892	**2,132,278**	1,760,418
Selective reduction of capital #	**-**	(678,847)	**-**	-
	1,382,748,156	959,520,382	**57,650,068**	53,701,355
Less issue costs			**(369,778)**	(283,565)
Balance at end of year	**1,382,748,156**	959,520,382	**57,280,290**	53,417,790

Selective reduction of capital by cancelling shares held by Goh Thee Woon, as per Resolution 2 of Notice of Annual General Meeting approved by shareholders on 24 November 2022.

21. Share capital (continued)

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. Every holder of ordinary shares attending the meeting is entitled to one vote. Ordinary shares do not have a par value.

ii) Listed Options
No listed share options were issued during the 2024 financial year (2023: nil).

22. 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 Group's strategy for capital management.

23. Reserves

	2024	2023
	$	$
Share options reserve *(i)*	**123,551**	264,129
Asset revaluation reserve *(ii)*	**(136,000)**	(124,000)
	(12,449)	140,129

(i) The share option reserve is used to record increases in equity arising from equity-settled share-based payment arrangements.
(ii) The asset revaluation reserve is used to record changes in the fair value of financial assets classified or designated at fair value through other comprehensive income.

(a) Share options reserve

	2024	2023
	$	$
Balance at the beginning of the year	**264,129**	152,209
Net share-based payment expense	**44,587**	111,920
Expired share options transferred to accumulated losses	**(185,165)**	-
Balance at the end of the year	**123,551**	264,129

(b) Asset revaluation reserve

	2024	2023
	$	$
Balance at the beginning of the year	**(124,000)**	(76,000)
Net changes in the fair value of financial assets classified or designated at fair value through other comprehensive income	**(12,000)**	(48,000)
Balance at the end of the year	**(136,000)**	(124,000)

24. Auditors' remuneration

	2024	2023
	$	$
Audit & Assurance services		
Review of interim report	**23,200**	23,200
Audit of financial report – year end	**44,100**	42,800
Total remuneration for services	**67,300**	66,000

25. 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

Mr Robert Cooke	Independent Non-Executive Chairman
Ms Alison Coutts	Managing Director and CEO (resigned 30 November 2023)
Mr Andrew Goodall	Non-Executive Director (resigned 30 November 2023)
Mr Paul Wright	Independent Non-Executive Director
Dr David Ali	Executive Director and CEO (appointed 1 June 2024, initially appointed Acting MD and CEO 1 December 2023)
Mr Michael Atkins	Independent Non-Executive Director (appointed 13 March 2024)

ii. Executives

John Aitken	Scientific Director
Pablo Neyertz	Director of Finance
David Ali	Director of Business Development (up to 30 November when appointed Acting Managing Director and CEO)
Hassan Bakos	Director of Operations

c) Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2024	2023
	$	$
Short-term employee benefits	**1,243,448** #	1,041,556
Long-term employee benefits	**34,104**	21,745
Post-employment benefits	**137,354**	91,290
Termination payments	**342,540**	-
Share-based payments	**123,462**	65,571
	1,880,907	1,220,162

Includes $109,574 unpaid annual leave paid to Alison Coutts as part of termination payment.

25. Related parties (continued)

d) Share based compensation - Options

Options remuneration has been calculated in accordance with the fair value measurements provisions of AASB 2 “Share Based Payments”.

6,696,292 incentive options were issued to the Company’s Managing Director and CEO Dr David Ali, with shareholder approval passed at EGM 14 February 2024. The fair value of the options was $53,750 estimated using the Black-Scholes valuation model with the following assumptions:

- Stock price $0.0107 (30-day VWAP prior to the AGM)
- Exercise price $0.0149 (40% premium on stock price)
- Risk-free interest rate 3.82%
- Expiry period 3 years
- Volatility 140.90%
- Fair value per option $0.008

The same number of incentive options were issued to the Company’s Director of Operations Hassan Bakos, as per his employment agreement. The fair value of the attached options was also $53,750 estimated using the Black-Scholes valuation model with the same assumptions.

No share options were issued to Directors in the financial year ended 30 June 2024 (2023: 2,500,000 options to Robert Cooke).

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.

2024	Balance as at 1 July 2023 $	Net movement $	Appointed / (resigned) $	Balance as at 30 June 2024 $
Alison Coutts	84,985,319	19,005,543	(103,990,862)	-
Andrew Goodall	171,898,505	(94,666,026)	(77,232,479)	-
Michael Atkins (a)	-	-	16,000,000	16,000,000
Pablo Neyertz	876,631	194,808	-	1,071,439
Total	**257,760,455**	**(75,465,675)**	**(165,223,341)**	**17,071,439**

(a) Michael Atkins’ shareholding comprises 9,500,000 shares held directly and 6,500,000 held indirectly.

2023	Balance as at 1 July 2022 $	Net movement $	Balance as at 30 June 2023 $
Alison Coutts (a)	79,625,139	5,360,180	84,985,319
Andrew Goodall (b)	171,498,505	400,000	171,898,505
Pablo Neyertz	788,967	87,664	876,631
Total	**251,912,611**	**5,847,844**	**257,760,455**

(a) Alison Coutts’ shareholding comprises 77,847,375 shares held directly and 7,137,944 held indirectly.
(b) Andrew Goodall’s shareholding comprises 171,206,265 shares held directly, and 692,240 shares held indirectly.

25. Related parties (continued)

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. 6,696,292 incentive options were granted to the Company's Managing Director and CEO Dr David Ali and the Company's Director of Operations Hassan Bakos during the reporting period.

2024	Balance at start of year	Granted as remuneration	Net movement	Appointed / (resigned)	Balance at end of the year	Exercisable
Alison Coutts	1,593,000	-	9,502,773	(11,095,773)	-	-
Andrew Goodall	1,350,000	-	15,694,087	(17,044,087)	-	-
Robert Cooke	2,500,000	-	-	-	2,500,000	2,500,000
Michael Atkins	-	-	-	3,273,036	3,273,036	3,273,036
Pablo Neyertz	99,900	-	97,404	-	197,304	197,304
John Aitken	1,080,000	-	-	-	1,080,000	1,080,000
David Ali	-	6,696,292	-	-	6,696,292	6,696,292
Hassan Bakos	-	6,696,292	-	-	6,696,292	6,696,292
Total	**6,622,900**	**13,392,584**	**25,294,264**	**(24,866,824)**	**20,442,924**	**20,442,924**

No options were exercised during the year by KMP.

2023	Balance at start of year	Granted as remuneration	Lapsed during the year	Balance at end of the year	Exercisable	Non Exercisable
Alison Coutts	3,363,000	-	1,770,000	1,593,000	-	1,593,000
Andrew Goodall	1,350,000	-	-	1,350,000	1,350,000	-
Robert Cooke	-	2,500,000	-	2,500,000	2,500,000	-
Nick Gorring	1,140,000	-	1,140,000	-	-	-
Pablo Neyertz	210,900	-	111,000	99,900	-	99,900
John Aitken	2,280,000	-	1,200,000	1,080,000	-	1,080,000
Total	**8,343,900**	**2,500,000**	**4,221,000**	**6,622,900**	**3,850,000**	**2,772,900**

No options were exercised during the year by KMP.

g) Other transactions with key management personnel and related parties

i) At 30 June 2024, amounts owing to related parties were as follows:

	2024 **$**	2023 $
Andrew Goodall director fees	**-**	4,583
Alison Coutts Consulting Pty Ltd consulting fees	**27,720**	-
Robert Cooke director fees	**16,667**	-
Paul Wright director fees	**8,333**	-
Michael Atkins director fees	**8,333**	-
	61,053	4,583

25. Related parties (continued)

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

Current balances:	Note	**2024 $**	2023 $
Andrew Goodall		**-**	43,200
Andrew Goodall #	18	**50,000**	-
Total		**50,000**	43,200

\# advance of a placement of shares issued subsequent to the end of the financial year.

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

	Interest paid		**Interest accrued**	
	2024 $	2023 $	**2024 $**	2023 $
Andrew Goodall	**4,730**	-	**11,372**	-
Alison Coutts	**166**	1,463	**360**	1463
Alison Coutts Consulting Pty Ltd	**304**	-	**304**	-
	5,200	1,463	12,036	1,463

h) Other transactions with Directors, Executives and their related parties

The company received loans from:

- Non-Executive Director Andrew Goodall, for $218,000,
- MD and CEO Alison Coutts' SMSF, for $14,000, and
- MD and CEO Alison Coutts, for $11,000.

The first two of these loans, plus interest of $6,642.08 and $193.32 respectively, were converted to shares after being approved by shareholders in EGM held on 14 February 2024. The last loan was repaid with nil interest on 12 December 2023.

Transactions between Memphasys Limited and other entities in the wholly owned group during the year ended 30 June 2024 consisted of loans advanced by Memphasys Limited to its controlled entity Feronia Fertility Pty Ltd which have been eliminated for the purposes of consolidation.

26. Controlled entities

Name of entity	**Country of Incorporation**	**Percentage of share capital held**		**Active / Dormant**
		2024	**2023**	
Feronia Fertility Pty Ltd	Australia	100	100	Active
KaoSep Inc.	United States	100	100	Dormant
MemSep Pty Ltd	Australia	100	100	Dormant
InqSep Inc.	United States	100	100	Dormant
Kaogen Pty Ltd	Australia	100	100	Dormant

27. Share-based payments

a) Description of share-based payment arrangements

(i) Employee Share Option Plan (equity settled)

On 30 July 2021, the Group established a share option program (performance options) that entitled personnel and consultants to purchase shares in the Company. The options will be exercisable as follows:

- Tranche 1 and 2 options: exercisable at a price set at a 34% premium above the 30-day variable weighted average price ("VWAP") on or before 2 years after their issue date, and
- Tranche 3 Options: exercisable at a price set at a 43% premium above the 30-day VWAP on or before 3 years after their issue date.

Employees / consultants entitled	**Number of options**			
	Tranche 1	**Tranche 2**	**Tranche 3**	**Total**
KMP	2,739,100	1,911,000	1,719,900	6,370,000
Consultants	1,462,000	1,020,000	918,000	3,400,000
Employees	761,100	531,000	477,900	1,770,000
Total	**4,962,200**	**3,462,000**	**3,115,800**	**11,540,000**

Performance option hurdle terms

The same performance hurdles applied for all employee and consultant options. The performance options will vest as set out in the table below according to the levels of performance achieved in the requisite performance period for their achievement. Options lapse if the performance hurdles are not met at the end of the performance period.

	Tranche 1	**Tranche 2**	**Tranche 3**
Performance hurdle	MEM receives material sales orders from at least two KOL IVF clinics in two (low reg) geographic markets (or at Board's discretion other commercial sales) with the first commercial sale to be on or prior to 31 December 2021, and the second on or prior to 31 March 2022.	MEM receives first material commercial sales order of Stallion Dismount Diagnostic device (Sampson) from a commercial user, including an equine breeding stud, a commercial equine semen processing facility or a veterinary clinic servicing the equine breeding industry, by 31 December 2022.	Proprietary whole semen ambient temperature medium developed, and a proof concept trial successfully completed, for human semen diagnostic applications by 31 December 2022, or Successful proof of concept trial in another product in the portfolio of reproductive biotechnology products currently being worked on by the Company by 30 June 2023.
Option period	2 years from granting		3 years from granting
Performance period	"Performance period 1": 1 July 2021 to 31 December 2022.		"Performance period 2": 1 July 2021 to 30 June 2023.
Expiry date	30 July 2023	30 July 2023	30 July 2024

All tranches of the options did not meet the hurdles.

(ii) Incentive Share Option Plan (equity settled)

On 1 September 2021, the Group established an incentive option program that entitled Alison Coutts to purchase shares in the Company. The terms of the options were identical to the Employee Shares Option Plan above. 5,900,000 options were issued (2,537,000 under Tranche 1; 1,770,000 under Tranche 2 and 1,593,000 under Tranche 3).

All tranches of the options did not meet the hurdles.

27. Share-based payments (continued)

(iii) On 6 December 2022, 2,500,000 unlisted options were issued to the Company's Chairman Robert Cooke in lieu of a portion of Director fees, with shareholder approval passed at EGM 28 November 2022, exercisable at $0.0237 on or before 5 December 2024.

(iv) On 15 February 2024, 6,696,292 unlisted incentive options were issued to the Company's Managing Director and CEO Dr David Ali, and 6,696,292 unlisted incentive options were issued to the Company's Director of Operations Hassan Bakos, both exercisable at $0.02 on or before 14 February 2027. None of these options have service or performance conditions attached.

b) Measurement of fair values

The fair value of all the options outlined in a) have been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account when measuring fair value.

The inputs used in the measurements of the fair values at grant date of the equity-settle share-based payment plans were as follows:

	Incentive Share Option Plan a) (iii)	Robert Cooke a) (iii)	
	2024	**2024**	2023
Exercise price @ grant date	**$0.0149**	**$0.060**	$0.060
Fair value @ grant date	**$0.008**	**$0.007**	$0.007
Share price @ grant date	**$0.0107**	**$0.04**	$0.04
Expected volatility (weighted average)	**140.9%**	**108%**	108%
Expected option life	**3 yrs**	**2.5 yrs**	1.5 yrs
Expected dividends	**0%**	**0%**	0%
Risk-free interest rate (based on government bonds)	**3.82%**	**3.84%**	3.29%

Expected volatility has been based on evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

27. Share-based payments (continued)

c) Reconciliation of outstanding share options

Set out in the table below are summaries of options issued, exercised and lapsed during the year.

2024

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	Exercisable	Non-exercisable
Consolidated and parent entity:										
30 Jul 2021	30 Jul 2024	30 Jun 2023	$0.0965	2,575,800	-	-	-	2,575,800	2,575,800	-
25 Aug 2021	31 Dec 2024	-	$0.0600	3,000,000	-	-	-	3,000,000	3,000,000	-
25 Aug 2021	31 Aug 2024	30 Jun 2023	$0.0944	1,593,000	-	-	-	1,593,000	1,593,000	-
14 Sep 2021	13 Sep 2023	-	$0.1000	3,000,000	-	-	(3,000,000)	-	-	-
6 Dec 2022	5 Dec 2024	-	$0.0237	2,500,000	-	-	-	2,500,000	2,500,000	-
15 Feb 2024	15 Feb 2027	-	$0.0149	-	13,392,584	-	-	13,392,584	13,392,584	-
Total				12,668,800	13,392,584	-	(3,000,000)	23,061,384	23,061,384	-
Weighted average exercise price per share				7.4¢	1.49¢		10.0¢	3.6¢		
Weighted average remaining contractual life								924 days		

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.

27. Share-based payments (continued)

Set out in the table below are summaries of options issued, exercised and lapsed during the prior year.

2023

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	Exercisable	Non-exercisable
Consolidated and parent entity:										
30 Jul 2021	30 Jul 2023	30 Jun 2022	$0.0905	3,462,000	-	-	3,462,000	-	-	-
30 Jul 2021	30 Jul 2024	30 Jun 2023	$0.0965	3,115,800	-	-	540,000	2,575,800	-	2,575,800
25 Aug 2021	31 Dec 2023	-	$0.0600	3,000,000	-	-	-	3,000,000	3,000,000	-
25 Aug 2021	31 Aug 2023	30 Jun 2022	$0.0884	1,770,000	-	-	1,770,000	-	-	-
25 Aug 2021	31 Aug 2024	30 Jun 2023	$0.0944	1,593,000	-	-	-	1,593,000	-	1,593,000
14 Sep 2021	13 Sep 2023	-	$0.1000	3,000,000	-	-	-	3,000,000	3,000,000	-
6 Dec 2022	5 Dec 2024	-	$0.0237	-	2,500,000	-	-	2,500,000	2,500,000	-
Total				15,940,800	2,500,000	-	5,772,000	12,668,800	8,500,000	4,168,800
Weighted average exercise price per share				8.8¢	2.4¢	-	9.0¢	7.4¢		
Weighted average remaining contractual life								296 days		

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.

27. Share-based payments (continued)

d) Expense recognised from share-based payment transactions

The expense in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss amounted to $44,587 (2023: $111,920).

Number of options	Granted to	Granted on	Options value
2,500,000	Robert Cooke	In lieu of a portion of director fees	20,530
4,126,800	Personnel & consultants	ESOPJul'21–tranches 2&3–unexpired FY23	36,974
1,593,000	Alison Coutts	Performance options Aug'21–tranches 2&3 unexpired FY23	11,948
2,451,000	Personnel & consultants	ESOPJul'21–tranches 2&3–cancelled FY23	30,078
1,770,000	Alison Coutts	Performance options Aug'21–tranches 2&3 cancelled FY23	12,390
Total value of options expense in the financial year ended 30 June 2023			111,920
3,738,900	Personnel & consultants	ESOPJul'21–tranche 3–unexpired FY24	24,546
1,593,000	Alison Coutts	Performance options Aug'21–tranche 3 unexpired FY24	5,310
1,551,000	Alison Coutts	Performance options Aug'21–tranche 2 cancelled FY24	1,193
837,037	David Ali	Performance options Feb'24-amortised FY24	6,719
837,037	Hassan Bakos	Performance options Feb'24-amortised FY24	6,719
Total value of options expense in the financial year ended 30 June 2024			44,587

28. Financial risk management policies

The Group's is exposed to the following financial risks in relation to the financial instruments that it held at the end of the reporting period.

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. Cash is held in a financial institution with first grade credit rating. Therefore, there is limited 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;
- 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.

28. Financial risk management policies (continued)

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**	
	2024	2023	**2024**	2023	**2024**	2023
	$	$	**$**	$	**$**	$
Financial liabilities:						
Trade & other payables	521,374	555,457	-	-	521,374	555,457
Interest bearing liabilities	4,363,174	4,469,437	-	-	4,363,174	4,469,437
Non-interest-bearing liabilities	50,000	77,330	-	-	50,000	77,330
Lease liabilities	83,721	216,051	415,689	2,231,881	499,410	2,447,932
Other liabilities	70,800	47,647	-	-	70,800	47,647
Expected outflows	**5,089,069**	**5,365,922**	**415,689**	**2,231,881**	**5,504,758**	**7,597,803**
Financial assets:						
Cash & cash equivalents	277,802	637,832	-	-	277,802	637,832
Other assets	57,027	165,026	-	-	57,027	165,026
Grant receivable	1,118,973	1,315,087	-	-	1,118,973	1,315,087
Expected inflows	**1,453,802**	**2,117,945**	**-**	**-**	**1,453,802**	**2,117,945**
Net expected cash flow	**(3,635,267)**	**(3,247,977)**	**(415,689)**	**(2,231,881)**	**(4,050,956)**	**(5,479,858)**

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 2024 the Group has no interest-bearing liabilities subject to future change in interest rates, 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 operated internationally in low volumes and has no assets and liabilities in foreign currencies at the end of the period. Therefore, there was no exposure to foreign exchange risk.

28. Financial risk management policies (continued)

d) Financial instruments carried at fair value

The Group's financial instruments are measured at fair value at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in AASB 13, *Fair Value Measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using only Level 2 inputs i.e. observable inputs which fail to Meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

At June 30, 2024 and 2023, the Company's financial instruments included cash, shares in Hydrix Limited, accounts payable, accrued expenses and convertible notes. The carrying amounts of accounts payable and accrued expenses approximate fair value due to the short-term maturities of these instruments.

The shares in Hydrix Limited, included under Financial Assets, are classified as Level 1 asset.

The Convertible Notes attached options, included under Interest-bearing liabilities, are classified as Level 3 liabilities. The significant assumptions used in preparing the option pricing model for valuing the (i) volatility of 120% (2023: 106%), (ii) risk free interest rate of 3.94% (2023: 3.84%) and (iii) exercise price ($0.06 or lower price for conversion derivative).

29. Capital Commitments

The Group has no commitments for the acquisition of plant and equipment contracted for at the reporting date that have not been recognised as liabilities.

30. Events after Balance Date

On 28 August 2024, the company issued 62.5M ordinary shares to Mr Andrew Goodall, the Company's second largest shareholder, at $0.008 per share raising $500,000 to be used to fund the ongoing commercialisation of the Felix device and development of ART products.

On 4 September 2024, the Company announced a three-year equine fertility study will be conducted in conjunction with the University of Newcastle and EquiBreedUK Ltd to establish Felix™ as the preferred technology for equine sperm selection, with the goal of enabling its rapid commercialisation post-publication of study results.

On 12 September 2024, the Company announced a capital raising via a placement to sophisticated and professional investors to raise A$1.0 million and a share purchase plan to raise up to a further A$1.0 million. The Company also received ongoing support from Peters Investments Pty Ltd, who agreed to extend the maturity date for his Convertible Notes to 30 June 2025 upon the Company obtaining shareholder approval. As the Company awaits formal approval of $2.0 million capital raise at the upcoming Extraordinary General Meeting, a $500,000 short-term loan facility from Keystonegroup Investments Pty Ltd, announced on 17 September 2024, will provide essential working capital to maintain the momentum of Memphasys' key commercialisation projects.

On 16 September 2024, the Company announced positive initial study results in a smaller study conducted to test the Felix™ System in the equine application. This smaller study was conducted as a precursor to the larger study announced 4 September 2024. The smaller study confirms that Felix™ System successfully isolates viable, low-ROS-producing frozen-thawed stallion spermatozoa, in 6 minutes significantly improving sperm quality, warranting the larger study for absolute confirmation.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 28 to 63 and the Remuneration Report on pages 21 to 25 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 2024 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 Group will be able to pay its debts as and when they become due and payable.

    (c) the consolidated entity disclosure statement required by subsection 295(3A) of the *Corporations Act 2001* is true and correct.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Finance Director for the financial year ended 30 June 2024.

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:

Dr David Ali
Chief Executive Officer

Sydney
18 September 2024

Pitcher Partners Sydney
ABN 17 795 780 962

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

Postal address
GPO Box 1615
Sydney NSW 2001

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

pitcher.com.au

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 2024, 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, the consolidated entity disclosure statement 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 2024 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 2024 of $4,442,021, had net cash flows outflows from operating activities of $3,231,375 and net cash outflows from investing activities of $711,046, had a deficit in working capital of $3,635,499 and a net assets of $6,837,755. In Note 3(a) it is stated that the Group is dependent on the raising of additional funds to complete planned activities over the next twelve months. 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. Our opinion is not modified in respect of this matter.

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
Impairment of intangible assets ***Refer to Note 14 in the Notes to the Financial Statements***	
At 30 June 2024 the consolidated statement of financial position includes intangible assets amounting to $10,089,761 that primarily relates to the Felix technology. Given the significance of the carrying value of the intangible assets to the financial position of the Group and the judgements and key assumptions required in the value-in-use model (including forecast cash flows and discount rate), the recoverability of these assets was a key audit matter.	Our procedures included amongst others: • Obtaining an understanding and evaluating the design and implementation of controls in place in respect of cashflow forecasts and value in use calculations; • Evaluating the value-in-use model for the Felix technology and the judgements and key assumptions in the value-in-use model; • Evaluating the forecast cash flows used in the value-in-use model were consistent with most up-to-date budgets prepared by management and provided to the Board; • Evaluating the appropriateness of the discount rate used in the value-in-use model; • Assessing whether any other indicators of impairment exist; • Considering other qualitative considerations (e.g. market valuation of the Company compared to its net assets, recent clinical trial results, capital raising activities, other public information available or press releases); and • Assessing the adequacy of financial statements disclosures.

Key Audit Matter	How our audit addressed the key audit matter
Recognition of R&D tax incentive receivables ***Refer to Note 11 in the Notes to the Financial Statements.***	
At 30 June 2024, the consolidated statement of financial position includes R&D tax incentive receivable amounting to $1,118,973. This area is a key audit matter due to the judgements and key assumptions the Group makes in relation to the calculation and recognition of the R&D tax incentive receivable	Our procedures included, amongst others: • Comparing the estimates made in prior periods to the amount of rebates received after lodgement of the R&D tax claim; • Obtaining R&D tax incentive calculations completed by management and performing the following audit procedures: ○ Developing an understanding of the model, identifying and assessing key assumptions in the calculations; ○ Testing the mathematical accuracy of the R&D tax incentive receivable; ○ Testing a sample of claimed expenditure to source documentation and reviewing the source documentation to assess the expenses are eligible; and ○ For labour costs included in the calculation, reviewing the percentage included for appropriateness; • 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 for the year ended 30 June 2024 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:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001;* and

Responsibilities of the Directors for the Financial Report

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of;

i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. the consolidated entity disclosure statement that is true and correct and is free of 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.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- 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 21 to 25 of the Directors' Report for the year ended 30 June 2024. In our opinion, the Remuneration Report of Memphasys Limited, for the year ended 30 June 2024, 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

Pitcher Partners
Sydney

18 September 2024

Shareholder information

The shareholder information set out below was applicable as 9 September 2024.

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	439	76,533	0.010
1,001-5,000	185	590,653	0.040
5,001-10,000	209	1,700,738	0.120
10,001-100,000	681	28,924,369	2.000
100,001-999,999,999	618	1,413,955,863	97.830
Totals	**2,132**	**1,445,248,156**	**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	261,564,791	18.098%
MR ANDREW ERNEST GOODALL	138,022,157	9.550%
MS ALISON COUTTS	93,847,375	6.494%
SAVILL HICKS CORP (VIC) PTY LTD <HICKS BIG BUCKAROOS S/F A/C>	70,914,098	4.907%
CROSSBAY PTY LTD <NO 2 A/C>	69,000,000	4.774%
PIPERLAKE PTY LTD <SERTORIO FAMILY ACCOUNT>	51,500,000	3.563%
MR ALLAN GRAHAM JENZEN & MRS ELIZABETH JENZEN <AG & E JENZEN P/L NO2 SF A/C>	31,425,556	2.174%
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	25,638,932	1.774%
MR RODNEY JAMES WELLSTEAD	20,769,860	1.437%
MR ADAM STUART DAVEY <THE DAVEY INVESTMENT A/C>	18,594,444	1.287%
ASSERT CORPORATE & INVESTOR RELATIONS PTY LTD	12,935,404	0.895%
CROSSBAY PTY LTD	12,166,822	0.842%
INVESTORLEND GROUP PTY LTD	12,000,000	0.830%
HARLEX FARMS PTY LTD <THE T H MARTIN FAMILY A/C>	10,567,000	0.731%
FLUE HOLDINGS PTY LTD <BROMLEY SUPERANNUATION A/C>	10,000,000	0.692%
ASSERT CORPORATE & INVESTOR RELATIONS PTY LTD	10,000,000	0.692%
ALISON COUTTS CONSULTING PTY LTD <ALISON COUTTS SUPER FUND A/C>	9,636,601	0.667%
MR MICHAEL WILLIAM ATKINS	9,500,000	0.657%
MRS VIVIANA INES MESSINA	9,261,728	0.641%
SAVOY CAPITAL PARTNERS PTY LTD <SAVOY CAPITAL PARTNERS A/C>	9,225,000	0.638%
Total Securities of Top 20 Holdings	886,569,768	61.344%
Total of Securities	**1,445,248,156**	

Shareholder information

C. Substantial Shareholders as at 8 September 2024

Ordinary shares

Holder Name	Number Held	Percentage
PETERS INVESTMENTS PTY LTD	261,564,791	18.098%
MR ANDREW ERNEST GOODALL	138,022,157	9.550%
MS ALISON COUTTS	93,847,375	6.494%

D. Unquoted Equity Securities

Security Class	Number of Holders	Number on Issue
Free Attaching Option $0.06 Exp 31 Dec 2023	1	3,000,000.
Unlisted Options $0.0237 Exp 5 Dec 2024	1	2,500,000.
Unlisted Options $0.02 Exp 18 Jan 2026	332	106,613,948
Unlisted Options $0.02 Exp 15 Feb 2026	52	105,000,000
Unlisted Incentive Options $0.0149 Exp 15 Feb 2027	2	13,392,584
Unlisted Options $0.011 Exp. 28 Aug 2026	1	31,250,000
Total:	**389**	**26,756,532**

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

Robert Cooke	Independent Non-Executive Chairman
Dr David Ali	Managing Director and CEO
Paul Wright	Independent Non-Executive Director
Michael Atkins	Independent Non-Executive Director

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

Share Registry
Boardroom Pty Limited
Level 8, 210 George Street
Sydney, NSW 2000

Registered Office
Level 1, 34 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