

SEPTEMBER 2022 QUARTERLY ACTIVITY REPORT AND APPENDIX 4C – MEMPHASYS LIMITED (ASX: MEM)

Memphasys (**MEM**) is a reproductive biotechnology company developing novel medical devices, diagnostics, and media with application to assisted reproduction technologies in humans and animals.

MEM is commercialising the Felix™ System, which is a patented, automated device for quickly and gently separating high quality sperm from a semen sample for use in human IVF procedures. In addition, it has several research and development projects being undertaken in conjunction with MEM's research partner, the University of Newcastle (UoN).

Memphasys is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2022 (**Q1**), along with the following update.

Business activities in the September 2022 Quarter (Q1)

There was no change in the activities of the Company during Q1.

The most significant changes to MEM's cash out-flows compared with the prior quarter were:

- an increase of 137 percent on R&D expenditure, mainly due to payment of three instalments relating to the research agreement with the UoN (two of them unbilled in the prior quarter); and
- an increase of 87 percent on Administration and Corporate costs, mainly due to payment of the D&O insurance, year-end audit fees and legal fees in relation to the court application for the failure to lodge cleansing notices in the past.

Administration and Corporate costs include the payment of:

- non-executive director fees for a total of \$50,333
- salary of \$87,800 for the quarter and STI payment of \$27,912 for the financial year 2022 for achieving KPI targets paid to MEM's Managing Director and Chief Executive Officer, Ms. Alison Coutts

The most significant change in cash in-flows compared with the prior quarter was the completion of cash reimbursement instalments from Hydrix Ltd received in the prior quarter.

Material Developments

Due to changes to Japan's IVF insurance market, MEM has chosen to initially work with sites that only treat self-funded patients. It continued to advance commercial discussions with these sites, including MEM's Key Opinion Leader in Japan, who agreed to a small-scale *in vivo* study to compare the Felix™ System with its standard sperm separation procedure.

There were two developments in Q1 in relation to the Company's offshore regulatory plan:

- In conjunction with its Chinese distribution partner, MEM completed and translated the Felix™ System's regulatory documentation for submission to China's regulatory authority, the National Medical Products Administration (NMPA).
- At the end of August, a pre-submission meeting request was submitted by MEM to the Food and Drug Administration (FDA) in the United States. MEM expects to receive feedback from the FDA in early 2023.

MEM continued its clinical trial in collaboration with leading Australian reproductive and fertility services company, Monash IVF Group Ltd (MVF).

The trial seeks to assess the safety and performance of the Felix™ System versus the traditional sperm preparation techniques: Swim-up and Density Gradient Centrifugation (DGC).

The trial's overall initial (blinded) results were encouraging with respect to fertilisation rates and embryo utilisation rates. The combined data from the Felix™ System and the alternative sperm preparation techniques (Swim-up or DGC) exceeded clinical performance expectations, with no reported adverse effects.

Mobius Medical Pty Ltd (Mobius), the clinical research organisation project managing the trial, noted participation rates were lower than expected across their various clinical trial sites post-COVID. The trial's completion is likely to be pushed back into 2023 and MEM is working with MVF and Mobius on initiatives to improve trial participation rates.

In mid-September, MEM commenced its 2022 field trials for the novel prototype SAMSON stallion fertility diagnostic device in conjunction with UoN. UoN researchers started collecting stallion dismount semen sample data from two thoroughbred stud farms in New South Wales. The data will be analysed by UoN to further refine the accuracy of the diagnostic to predict mare pregnancy.

In Q1, the Company's Scientific Director, Laureate Professor John Aitken, discovered a fast means of assessing antioxidant levels in semen and blood to potentially indicate the presence of oxidative stress in these fluids. Oxidative stress is linked to male and female infertility and many severe disease states. There is currently no accurate, rapid oxidative stress test available in the market.

This announcement was approved by the Board of Memphasys.

For further information, please contact:

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Managing Director and Chief Executive Officer
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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Memphasys Limited

ABN

33 120 047 556

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(558)	(558)
(b) product manufacturing and operating costs	(29)	(29)
(c) advertising and marketing	(10)	(10)
(d) leased assets	(46)	(46)
(e) staff costs	(500)	(500)
(f) administration and corporate costs	(438)	(438)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	8	8
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,574)	(1,574)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(39)	(39)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(39)	(39)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,360	3,360
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(259)	(259)
3.5	Proceeds from borrowings	440	440
3.6	Repayment of borrowings	(515)	(515)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,026	3,026

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	269	269
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,574)	(1,574)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(39)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,026	3,026
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,682	1,682

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,682	1,682
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,682	1,682

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	166
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,574)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,682
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,682
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.07
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: We expect the rate of spending to remain similar for the next two quarters. In Q2 the Company will not have seasonal payments (such as the D&O insurance and audit fees) or accumulated fees for the research agreement with the University of Newcastle, however other activities require payments not made in Q1, including the manufacturing of 2,500 cartridges, undertaking small clinical trials in jurisdictions including Japan & Canada, and preparing the pathways to obtain regulatory approval for the Felix™ system to be marketed in China and the US.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Further to the funds received by the recent capital raising in Q1, and a R&D tax refund received from the ATO in October amounting to \$1.5m, this allows the Company to remain fully funded through to 2023. The Company will start planning for the next capital raising in Q2 which is expected to be carried out in Q3.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The business expects to be able to continue its operations to meet its business objectives on the basis it has the necessary licences, agreements and technical personal in place to ensure the Company continues to advance the commercialisation of the Felix Device (and other technologies).
The Company has the support of its longstanding corporate advisor, Canaccord Genuity, which has successfully raised funds for Memphasys several times in the past four years, and major shareholders.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2022

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.