

**Memphasys Limited
and its Controlled Entities
ABN 33 120 047 556**

**Annual Financial Report
for the year ended 30 June 2016**

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Memphasys Limited and its Controlled Entities

Directors' Report

The Directors present their report, together with the consolidated financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2016 and the audit report thereon.

Directors

The names of the Directors of Memphasys Limited in office at any time during or since the end of the financial year are:

Ms Alison Coutts	Executive Chairman
Mr Andrew Goodall	Non-Executive Director
Mr Michael Graham	Non-Executive Director (Resigned 4 January 2016)
Mr Mark Gell	Non-Executive Director (Resigned 12 April 2016)
Dr Robert Gilmour	Non-Executive Director (Appointed 12 April 2016)
Mr John Pereira	Non-Executive Director (Appointed 30 August 2016)

Company Secretary

Mr Mark Studd was appointed as the Company Secretary in August 2015, taking over from Ms Elissa Hansen. Mr Studd is an experienced Company Secretary and corporate governance professional. He has worked with Boards and management in both the ASX listed and the unlisted company arenas and has assisted a range of organisations including both small and large companies. His experience covers a range of industries including retail, civil engineering and biotechnology. Mark is Company Secretary of a number of ASX listed and private companies, and is a Fellow of the Governance Institute of Australia (GIA).

Mark has a Bachelor of Arts degree with honours in economics from the University of New South Wales, and MBA from the Macquarie Graduate School of Management and a Graduate Diploma in Applied Corporate Governance from GIA. He is a member of GIA's Legislation Review Committee.

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	Shares interests & unlisted options at the reporting date
Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech Executive Chairman and member of the Audit and Risk and 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. Ms Coutts is formerly Chair of CSIRO's Health Sector Advisory Council and was a founder and director of eG Capital, which was a preeminent financial advisory firm in the Australian Life Sciences sector. Ms Coutts is the Executive Chairman of Memphasys Ltd and is also a Non-Executive Director of Lanka Graphite Ltd. 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 16,931,608 ordinary shares 2,400,000 unlisted options Indirect 3,787,600 ordinary shares 2,387,600 unlisted options
Andrew Goodall Non-Executive Director and member of the Audit and Risk and Nomination and Remuneration Committees. Mr Goodall, a significant shareholder in Memphasys, runs a large private business involved in Commercial Property in Australia and New Zealand.	Direct 149,498,897 ordinary shares 109,987,022 unlisted options Indirect 20,909,542 ordinary shares 11,799,025 unlisted options

Directors' Report

Names, Qualifications, Experiences, Special Responsibilities and Shareholding	Shares interests & listed options at the reporting date
Michael Graham B.A., Grad Dip Mgt Non-Executive Director and Chairman of the Nomination and Remuneration Committee until his resignation in January 2016. Mr Graham has been involved in a number of commercial ventures over the term of his career. Originally qualifying as a Company Secretary, Mr. Graham has worked in mining, retail and services. Mr. Graham spent 10 years working in the UK, US and Australia in marketing services in a division of WPP, the global marketing communication group. Since 2010 Mr Graham has been the CEO of Mercurien Pty Ltd, a technology company focused on telemetry for motor vehicles.	Direct Nil Indirect Nil
Mark Gell B.Ec, EMBA, GMA, GAIDC Non-Executive Director and Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee until his resignation in April 2016. Mr Gell has over 30 years' experience in both the public and private sectors in Australia and internationally. He provides knowledgeable and pragmatic counsel on matters ranging from capital markets and strategy to corporate and issues management. Mr. Gell has extensive capital markets experience, having managed the equity markets function for a number of top 50 Australian companies, with involvement in over \$20 billion of transactions. He was also a Director and past Chairman of the Australasian Investor Relations Association. His corporate experience includes senior positions at Citibank, Australian National Industries, TNT, Boral, Telstra, OneSteel and Lend Lease, where he held international responsibilities. He has also advised international companies such as Thomson CSF, Hawker Siddeley and Lyonnaise des Eaux. He currently advises a number of companies across the industrial, technology, bio-tech, property, education and services sectors.	Direct 12,090,094 ordinary shares 11,090,094 unlisted options Indirect 10,317,801 ordinary shares 10,317,801 unlisted options
Dr Robert Gilmour B.SC, MB, ChB. Non-Executive Director. Dr Gilmour is eminently qualified to forward the Company's interest as it enters a new and intense phase of R&D activity. Dr Gilmour has founded a number of successful medical device and diagnostic companies and has an industry specific network in the US and Australia.	Direct Nil Indirect 9,500,000 ordinary shares 6,750,000 unlisted options
Mr John Pereira B. Juris LLB Non-Executive Director and Chairman of the Nomination and Remuneration Committee and Audit and Risk Committee from September 2016. Mr Pereira, has had an extensive professional career encompassing funds management, banking and law. Mr Pereira was the founder and CEO of India Equities Limited which listed on ASX in 2007. He also created Olympus Funds Management to offer a wide range of investment opportunities in alternative investment markets. Mr Pereira has maintained a close interest in India, his country of birth, and is a former President (Victoria) and Deputy Chairman of the Australia India Business Council. Alongside Mr Pereira's commercial activities, he has been admitted to the Supreme Courts of NSW and Victoria and has held a legal practising certificate for over 20 years.	Direct Nil Indirect Nil

Directors' Report

Meetings of Directors

The following table sets out the numbers of meetings of the company's Board of Directors and meetings of each Board committee held during the year ended 30 June 2016 and the number of meetings attended by each Director.

Director/Alternate Director	Board Meetings		Audit & Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Attended	Held*	Attended	Held*	Attended	Held*
Alison Coutts	13	13	4	4	2	2
Mark Edward Gell	11	11	4	4	2	2
Andrew Ernest Goodall	13	13	4	4	2	2
Michael David Graham	7	7	-	-	2	2
Robert Farrer Gilmour	2	2	-	-	-	-

* Represents number of meetings held whilst director was in office during the year

Note: Michael Graham and Robert Gilmour were not members of the Audit and Risk Committee.

Rounding of amounts

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

Directors' Report

CORPORATE INFORMATION

Corporate Structure

Memphasys Limited is a company limited by shares, incorporated and domiciled in Australia with its registered office at 30 Richmond Road, Homebush, NSW 2140. It has prepared a consolidated financial report incorporating the entities it controlled during the financial year. Refer to Note 27 of the financial statements for a list of entities it controlled during the financial year.

Principal Activities

Memphasys' main focus is separating high value biological substances from fluids, utilising its proprietary separation membranes and equipment. The two main areas of focus are:

- SpermSep;
- Hydrogel polymer membrane technology development.

SpermSep

Memphasys' lead program, SpermSep, efficiently separates the best quality sperm from a semen sample using electrophoresis and specialist membranes, in preparation for IVF. This same principle can also be applied to assisted animal reproduction.

The SpermSep technology has been developed in partnership with Professor John Aitken from the University of Newcastle, Australia – a world-leader in human fertility research. Memphasys has further strengthened the association with the University of Newcastle and Professor Aitken with legal collaborative agreements signed during this reporting period.

The SpermSep device has been shown in laboratory testing to separate viable sperm far more efficiently and with less DNA damage than conventional methods. Results of an in-vitro clinical evaluation by Monash IVF announced in April 2016 of the performance of a SpermSep research grade device were positive.

Memphasys has continued to refine and develop its strategy for SpermSep. The SpermSep clinical prototype, which the company is now developing and which is to be evaluated by global key clinical IVF opinion leaders, has a new, cost efficient, biocompatible membrane and a completely re-engineered, simplified and improved design appropriate for clinical use.

Professor John Aitken and his research team at the University of Newcastle are continuing work in the animal ART field, with in-vitro equine studies and in the oversight of the human IVF in-vitro studies at major Australian clinical IVF centres.

Memphasys is also maintaining its collaboration with Minitube GmbH ("Minitube"), the largest global provider of animal Artificial Reproductive Technologies (ART) products. The main research program with Minitube is the preparation of frozen bovine semen, a technically challenging project, to process in the SpermSep device. Whilst this program is technically difficult it has provided remarkable insights about how the SpermSep device could be re-engineered for the human IVF market. Memphasys is now applying these findings in re-engineering an animal ART device.

Upon completion of the SpermSep clinical trials and the engineering completion of our next-generation clinical grade SpermSep products, the company plans to commercialise the product through marketing and distribution arrangements with international distributors.

The intangible assets relating to the SpermSep business on the Statement of Financial Position have been held at cost similar to prior year, at \$2,483,114 (2015: \$1,970,567). This is not a market-based valuation and Memphasys believes that there is far greater value in this business. Memphasys plans to increase expenditure on the development of this business and demonstrate commercial progress in both human and animal IVF trials over the next year.

Directors' Report

Membrane Technology Development

As part of the development of clinical grade devices, Memphasys will use its new hydrogel membranes which are being developed by the company rather than the company's traditional polyacrylamide membrane technology.

The company expects the newly developed membranes will have improved biocompatibility, much improved production scalability and lower raw material and production cost of manufacture. Memphasys requires further funding to complete development of the new clinical SpermSep product range and the new membranes will be part of this range.

Memphasys also has a consultancy arrangement with the University of Melbourne Chemical and Biomolecular Engineering Department and is working on the development of new membranes and other separation systems for additional high value biological separations beyond SpermSep.

Dividends

No dividends were paid during the year and no dividend is recommended.

REVIEW OF OPERATIONS

It has been a bitter sweet year for Memphasys. Most legacy issues have been dealt with and there have been many achievements. However, the ongoing difficulty with PrIME Biologics Pte Ltd ("PrIME"), the company that Memphasys spun out in June 2014, and the ensuing litigation against PrIME and its major investor, Palau Manukan Ventures Labuan Ltd ("Manukan") has put a dampener on the overall result and has placed an extra requirement on Memphasys for ongoing litigation funding.

On the positive side, Memphasys has had a number of achievements over the year.

- Results of an in-vitro clinical evaluation by Monash IVF of the performance of a SpermSep research grade device were positive. This study showed that the research grade device worked well and that there is a market need for a clinical grade device;
- The long running and expensive employment contract dispute with the former Managing Director, Mr. Prakash Patel was resolved;
- A legal Collaborative Agreement with the University of Newcastle was executed and the association with the University and with Professor John Aitken was further strengthened;
- Melbourne University's Chemical and Biomolecular Engineering Department assisted with the development of an entirely new membrane for the SpermSep device. A consulting agreement was executed to develop new membranes and separation technologies for other high value applications beyond the initial new membranes for SpermSep;
- The company continued to refine and develop its strategy for SpermSep. The SpermSep clinical prototype, which the Company is now developing and which is to be evaluated by global key clinical IVF opinion leaders, has a new, cost efficient, biocompatible membrane and a completely re-engineered, simplified and improved design appropriate for clinical use;
- The precast gels business was sold. The sale entails making a quantity of gels for the buyer, transferring intangible assets, packing the plant for relocation to China and subsequently commissioning the plant.

We were delighted to hear that Professor John Aitken won a prestigious, global award on 31 March 2016 in the area of Reproductive Biology. Professor Aitken was only the second researcher outside the USA to ever receive this award.

Another of our earlier collaborators, Emeritus Prof David Solomon, from the University of Melbourne's Chemical and Biomolecular Engineering Department, was also honoured. He received a Companion of the Order of Australia (AC) in the Queen's Birthday honours for his contribution to the field of polymer chemistry and plastics.

With respect to PrIME, the Company is in litigation in the Singapore High Court against PrIME and its key investor, Manukan, which is part of Malaysian Sovereign Fund, Xeraya.

PrIME was spun out of Memphasys in June 2014 for the purpose of using the technology developed by Memphasys in the field of plasma fractionation. PrIME has had substantial external investment since June 2014, principally from Manukan. The investors received Series A preference shares which have voting control. Memphasys is a passive investor and currently holds 95,912 B class shares in PrIME.

Directors' Report

In order to obtain the B class shares, Memphasys agreed to take over a third party debt to A-Bio Pharma Pte Ltd ("A-Bio") on the GMP production facility in Singapore that PrIME is using.

Memphasys has not paid the third party debt which was due to be paid to A-Bio at the end of March 2016. Initially A-Bio sought payment from Memphasys but subsequently sought payment from PrIME. PrIME paid that debt at the end of August 2016, and has now issued a Letter of Demand to Memphasys. The debt payment is guaranteed by PrIME and the Memphasys' B shares in PrIME are held as security for the payment. There are complex agreements around the debt repayment and this is one area in which Memphasys is in litigation against PrIME and Manukan. Memphasys has a separate litigation against PrIME in respect of the GF100 machine, a key part of the cGMP accreditation process for PrIME. PrIME is now claiming to own this machine.

Memphasys is confident that the value of the B class shares well exceeds the debt payment that has been demanded and that ultimately it will reach a negotiated settlement with PrIME and Manukan around the debt repayment and its B class shares in PrIME, but the timing and outcome is currently uncertain.

Financial Performance

The Company undertook a number of capital raisings: A share purchase plan in August 2015, a share placement in January 2016 and an underwritten rights issue in February 2016 which also provided for the conversion of director loans into equity.

In the Non-Renounceable Entitlement Offer announced to the market in February 2016 the Directors converted \$1.53 million debt into equity, thereby strengthening the Company's Statement of Financial Position.

The pre-cast polyacrylamide gel business was sold on 1 April 2016 for US\$130,000. This transaction included the transfer of ownership of the US subsidiary, NuSep Inc., to the buyer. The contribution to losses from the gels business was as follows for the financial year ended June 2016 and the previous period:

	Year ended 30 June 2016	Year ended 30 June 2015
	\$	\$
Pre-cast polyacrylamide gel business	(133,178)	(375,338)

Due to low sales volume, the Company also decided to discontinue the diagnostics business in June 2016. The contribution to profits from this business in the financial year ended June 2016 and the previous period were as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
	\$	\$
Diagnostic business	2,375	89,673

The Company had two remaining sources of revenue, as follows:

- A tax refund on R&D activities. An application for \$497,355 was lodged with AusIndustry on 5 August 2016 and was subsequently approved.
- Rental income from the GF100 machine from PrIME.

Memphasys continued investing in high value adding projects which will not be revenue generating for at least two years. The main project, SpermSep, received the largest investment totalling \$722,251. This investment is expected to increase in future years.

Apart from investing in the development of new membranes for the SpermSep project, at an overall cost of \$206,422, Memphasys also invested in researching other new membranes and new methods for high value biological separations, at a cost of \$176,562. Internal development costs were the largest component of these overall costs but there were some payments also to the University of Melbourne. As the latest project is still in the research stage, its costs have been booked as expenses and will not be capitalised as intangible assets until the project enters the development stage.

Memphasys incurred a \$2,174,721 loss from continuing operations (2015: loss of \$2,360,019). General and Administrative expenses of \$1,659,341 (2015: \$1,509,329) was the largest expense category. This amount includes legal fees for \$413,000 related to the legal case with the former Managing Director Mr. Prakash Patel which was settled in November 2015, the legal case with PrIME over the ownership of the GF100 machine and various legal agreements on the potential sale of the class B shares in PrIME which has not eventuated at this

Directors' Report

stage. When Memphasys finalises its association with PrIME spending on legal fees will be substantially decreased.

Other one-off expenses incurred in the financial year ended June 2016 by Memphasys are fees for board representation by Alison Coutts and Andrew Goodall on the PrIME board amounting to \$30,753. Both Alison Coutts and Andrew Goodall resigned from the PrIME Board during the year and Memphasys no longer has a representative on that Board. Consulting services with Transocean Securities Pty Ltd and Robert Gilmour amounted to \$158,000.

Other contributors to the loss were:

- Interest charges on finance costs of \$326,015 (2015: \$682,304). The significant reduction from the financial year 2015 was due to both conversions of debt to equity by the Directors post the AGM 19 December 2014 and in the Non-Renounceable Entitlement Offer announced to the market in February 2016. Also, 83% of the interest charges in the financial year 2016 (\$269,000) were due to the accrual of interest payments on the third party debt to A-Bio.
- Foreign exchange losses of \$156,425 (2015: \$518,515). 93% of these charges (\$145,000) were due to the devaluation of the Australian dollar having an impact on the third party A-Bio debt.

During the year, the Board put into action its earlier decision to focus on value adding R&D activities and streamline operations. It decided to sell the gels business which had insufficient global scale and to cease the diagnostics business, which had become too small to maintain. The FY2016 financial performance does not yet reflect the reduction in operating expenditure from streamlining operations as the large legal expenses have increased overall corporate expenditures.

The largest current liability, shown as \$4.8 million, is the third party debt to A-Bio. A-Bio developed the Singapore cGMP facility, converting a large floor space of an office building to cGMP manufacturing capability. PrIME took over the space with cGMP fit out after A-Bio decided to vacate. Memphasys' agreement to take responsibility for payment of this debt was part of the agreement for spinning out PrIME. Through that spin out process, Memphasys obtained B class non-voting shares in PrIME.

The value of the B class shares held in PrIME has been maintained at the same cost value as the prior year. Given that the range of reasonable fair value estimates on these shares is significant and the probabilities of the various estimates cannot be reasonably assessed at this stage, Memphasys is precluded from measuring the investment at fair value.

Memphasys is currently seeking to sell its investment in PrIME. This was announced in April and May 2015 and is still the case. Negotiations are continuing, despite the litigation, but have not concluded.

Board and management

During the financial year Memphasys appointed Dr Robert Gilmour to the Board as a non-executive director. Dr Gilmour is also a consultant to the Company. Michael Graham resigned in January 2016 and Mark Gell resigned in April 2016 as non-executive directors. The Board was grateful for their respective contributions as announced to the market at the time of their resignations.

Outlook for 2017

The development of the next generation SpermSep device and new membranes are expected to be value drivers for the company in the foreseeable future, subject to sufficient funding being available and subject to conclusion of the litigation against PrIME and Manukan.

Whilst the directors are hopeful of negotiating a successful resolution of this dispute, no agreement has been reached at this stage.

Directors' Report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following events occurred subsequent to 30 June 2016.

- On 1 July 2016 NuSep Holdings Ltd changed its name to Memphasys Limited.
- On 5 August 2016 the Company lodged the R&D tax claim for an amount of \$497,355 which was approved by AusIndustry on 12 August 2016.
- On 30 August 2016 the Company appointed John Pereira as a non-executive director.
- On 9 September 2016 the Company received a Letter of Demand from Manukan to repay the third party A-Bio debt plus costs that PRIME had paid to A-Bio on behalf of Memphasys under the Debt Guarantee Agreement.
- On 20 September 2016 the Company announced that:
 - it is raising immediate funding of \$940,000 through the issue of secured convertible notes,
 - it has terminated the mandate of former corporate advisors, Transocean Securities, and the consulting services of Dr Robert Gilmour, and
 - it has appointed Platinum Road Pty Ltd as the new corporate advisors.

SHARE OPTIONS

There were 290,517,002 unlisted options on issue to shareholders at 30 June 2016.

Memphasys Limited and its Controlled Entities

Directors' Report

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

Grant date	Expiry date	Vesting commencement date	Exercise price	Balance at start of year	Issued during the year	Exercised during the year	Lapsed /cancelled during the year	Balance at end of the year
Consolidated and parent entity – 2016:								
22 December 2014	5 December 2015	-	\$0.1015	1,200,000	-	-	1,200,000	-
22 December 2014	20 January 2016	-	\$0.112	4,125,000	-	-	4,125,000	-
22 December 2014	1 November 2016	-	\$0.112	2,000,000	-	-	-	2,000,000
04 April 2016	30 November 2016	-	\$0.016	-	284,617,002	-	-	284,617,002
22 December 2014	5 December 2016	-	\$0.1015	1,200,000	-	-	-	1,200,000
22 December 2014	1 November 2017	-	\$0.112	1,500,000	-	-	-	1,500,000
22 December 2014	5 December 2017	-	\$0.1015	1,200,000	-	-	-	1,200,000
Total		-		11,225,000	284,617,002	-	5,325,000	290,517,002

The number of options over ordinary shares in Memphasys issued to related parties during the year are as follows:

2016	Balance at start of year	Granted	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
Andrew Goodall	6,325,000	118,286,047	-	2,825,000	121,786,047	3,500,000	118,286,047
Marjorie Anne Goodall	300,000	-	-	300,000	-	-	-
Chang Seow Ying Alison	1,000,000	-	-	1,000,000	-	-	-
Alison Coutts	3,600,000	-	-	1,200,000	2,400,000	2,400,000	-
Syrah Trustee Limited	-	6,750,000	-	-	6,750,000	-	6,750,000
Total	11,225,000	125,036,047	-	5,325,000	130,936,047	5,900,000	125,036,047

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 or since the financial year, the company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

The company paid an insurance premium of \$35,000 in covering directors' liability matters during the year ended 30 June 2016. The cost of the premium increased from \$28,000 in the year ended 30 June 2015 due to the higher risk that the Company was deemed to represent as a result of the legal action brought about by former Managing Director, Prakash Patel and the ASIC investigation. No premiums have been paid indemnifying the liability of the auditors.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred by such an officer.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 16 as part of 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 2016.

Directors' Report

REMUNERATION REPORT – AUDITED

Outlined below are the guiding principles used by Memphasys Limited to set the remuneration of the organisation.

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for Memphasys' size and type of business. The Nomination and Remuneration Committee evaluates the executive directors and the CEO/Executive Chairman reviews the senior executive team. In general, the Board and specifically the Nomination and Remuneration Committee ensure that executive reward satisfies the following key criteria for good employee and non-executive director reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

Over the past year employment contracts of all personnel were reviewed and restructured. Job descriptions of all key employees were reviewed and new key performance indicators were developed to reward key staff for delivering on the reformulated strategic needs of the business, especially on development and commercialisation of core intellectual property.

A revised ESOP program for all key employees was approved at the AGM in December 2015.

Employment contracts

The contract of the Executive Chairman, Alison Coutts stipulates that either party may terminate the employment by providing the other with six months' written notice. The Company may terminate the employment without any period of notice or payment in lieu of notice if the executive engages in serious misconduct.

Non-Executive Directors

The Board has set its remuneration of Non-Executive Directors in line with market-based remuneration in small listed biotechnology companies. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on responsibility of the role and are also in line with the remuneration of Chairmen of small listed biotechnology companies. The Chairman is not present at any discussions relating to determination of remuneration. Subject to shareholder approval Non-Executive Directors may opt each year to receive a percentage of their remuneration in Memphasys Limited shares and/or options.

Directors' Fee Pool

The current maximum non-executive Directors fee pool limit is \$450,000 per year.

Executive Remuneration

Executive remuneration includes:

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

As the entity is in development stage, there is no relationship between performance and KMP remuneration at this point in time.

Base Remuneration

Structured as a total employment cost package that may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Details of Remuneration

Details of the nature and amount of each element of the emoluments of each Director of Memphasys Limited and specified executives of the Company and the consolidated entity with the highest authority levels for the year ended 30 June 2016 are set out in the following tables which break out directors and executive remuneration separately.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Directors of Memphasys Limited

	Cash salary and fees	STI cash bonus	Proportion of remuneration performance related	Non-monetary benefits and allowances	Other long-term benefits	Post-employment Superannuation @	Value of options	Value of options as proportion of remuneration	Total
2016	\$	\$	%	\$	\$	\$	\$	%	\$
Alison Coutts	277,500	-	-	-	-	19,308	-	-	296,808
Andrew Goodall	50,000	-	-	-	-	-	-	-	50,000
Michael Graham #	25,000	-	-	-	-	-	-	-	25,000
Mark Gell #	37,494	-	-	-	-	-	-	-	37,494
Robert Gilmour *	10,833	-	-	-	-	-	-	-	10,833
Total	400,827	-	-	-	-	19,308	-	-	420,135

* Appointed during the year.

Resigned during the year.

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Directors in the 30 June 2016 financial year.

	Cash salary and fees	STI cash bonus	performance related	Non-monetary benefits and allowances	Other long-term benefits	Post-employment Superannuation @	Value of options	Value of options as proportion of remuneration	Total
2015	\$	\$	%	\$	\$	\$	\$	%	\$
Alison Coutts	270,000	27,500	9	-	-	18,783	-	-	316,283
Andrew Goodall	50,000	-	-	-	-	-	-	-	50,000
Michael Graham *	40,300	-	-	-	-	-	-	-	40,300
Mark Gell *	35,383	-	-	-	-	-	-	-	35,383
Prakash Patel #	9,722	-	-	14,749	-	-	-	-	24,471
Total	405,405	27,500	9	14,749	-	18,783	-	-	466,437

* Appointed during the year.

Resigned during the year.

@ There has been no post-employment retirement benefits, except for superannuation, paid to any Directors in the 30 June 2015 financial year.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Senior Executive Employment Agreements

The present contracts for senior executives include employment terms, remuneration and termination payments. Under the general terms of the current executive contracts:

- The executive may resign from their position and thus terminate the contract by giving, depending on the executive, between three and four months' written notice. On resignation any options are forfeited.
- The agreement automatically terminates unless the agreement is renewed by the parties, in writing, prior to the expiration of the initial term. Employee's employment automatically continues on an at-will basis on the terms stipulated in the contract.

Executives of Memphasys Limited and Subsidiaries

	Cash salary and fees	Termination payments	STI cash bonus	Non-monetary benefits and allowances	Other long-term benefits	Post-employment Superannuation	Value of options	proportion of remuneration	Total
2016	\$	\$	\$	\$	\$	\$	\$	%	\$
Mike Richardson	100,000	-	-	-	-	9,500	-	-	109,500
Pablo Neyertz	121,000	-	-	-	-	11,495	-	-	132,495
Total	221,000	-	-	-	-	20,995	-	-	241,995

There have been no post-employment retirement benefits, except for superannuation, paid to any Executives in the 30 June 2016 financial year.

	Cash salary and fees	Termination payments	STI cash bonus	Non-monetary benefits and allowances	Other long-term benefits	Post-employment Superannuation	Value of options	proportion of remuneration	Total
2015	\$	\$	\$	\$	\$	\$	\$	%	\$
Mike Richardson	95,000	-	6,250	-	-	9,619	-	-	110,869
Pablo Neyertz	110,000	-	7,500	-	-	11,122	-	-	128,622
Total	205,000	-	13,750	-	-	20,741	-	-	239,491

There have been no post-employment retirement benefits, except for superannuation, paid to any Executives in the 30 June 2015 financial year.

Share options granted to Directors

There were no share options issued during the financial year ended 30 June 2016.

Share options granted to Executives

There were no share options issued during the financial year ended 30 June 2016.

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Directors & their shareholding

Directors & their shareholding	Balance as at 1 July 2015	Net movement	Director resigned	Balance as at 30 June 2016
Alison Coutts (a)	311,252	20,407,956	-	20,719,208
Andrew Goodall (b)	57,666,836	112,741,603	-	170,408,439
Michael Graham #	-	-	-	-
Mark Gel #	-	22,407,895	(22,407,895)	-
Dr Robert Gilmour *	-	9,500,000	-	9,500,000
Total	57,978,088	165,057,454	(22,407,895)	200,627,647

* Directors appointed during the year. # Directors resigned during the year.

(a) Alison Coutts' shareholding comprises 16,931,608 shares held directly and 3,787,600 shares held indirectly.

(b) Andrew Goodall's shareholding comprises 149,498,897 shares held directly and 20,909,542 shares held indirectly.

	Balance of shares as at 1 July 2014	Net movement	Balance of shares as at 30 June 2015
Alison Coutts	51,724	259,528	311,252
Andrew Goodall (a)	24,798,300	32,868,536	57,666,836
Prakash Patel #	349,079	(349,079)#	-
Michael Graham *	-	-	-
Mark Gell *	-	-	-
Total	25,199,103	32,778,985	57,978,088

* Directors appointed during the year. # Directors resigned during the year.

(a) Andrew Goodall's shareholding comprises 46,056,319 shares held directly and 11,610,517 shares held indirectly.

Transactions with related parties

i) Loans payable to related parties:

	Current balances:		Non-current balances:	
	2016 \$	2015 \$	2016 \$	2015 \$
Andrew Goodall	-	221,599	-	30,112
Ti Rakau Developments Ltd	-	149,102	-	-
Ms Chang Seow Ying Alison (a)	26,334	26,334	-	-
Goodall Family Super Fund	-	10,025	-	45,218
Alison Coutts	-	-	(b) 10,044	-
Mark Gell	-	-	-	94,851
Mark Gell Super Fund	-	-	-	100,356
Alison Coutts Super Fund	-	-	(c) 19,313	40,145
Total	26,334	407,060	29,357	310,682

Directors' Report

REMUNERATION REPORT – AUDITED (continued)

Loan ref	Currency	Interest rate	Maturity	Security
a)	AUD	0%	At call	Unsecured
b)	AUD	10%	Jun 18	Unsecured
c)	AUD	10%	Jun 18	Unsecured

ii) Interest on financial liabilities with related parties:

	Note	2016 \$	2015 \$
John Manus		-	4,618
Dr Hari Nair		-	186
Andrew Goodall – interests		32,912	150,815
Andrew Goodall – options issued AGM Resol. 13	24	-	120,500
Ti Rakau Developments Ltd		-	126,096
Ms Chang Seow Ying Alison – interests		-	28,973
Ms Chang Seow Ying Alison – options issued AGM Resol. 13	24	-	22,560
Alison Coutts		1,366	3,953
Mark Gell		7,918	5,521
Alison Coutts Super Fund		912	145
Goodall Family Super Fund		4,107	192
Mark Gell Super Fund		3,831	356
		51,046	463,242

iii) Loans converted into shares:

	Number of shares		Converted loan balance	
	2016	2015	2016 \$	2015 \$
Andrew Goodall and related parties	111,974,600	59,657,264	1,119,746	3,855,361
Alison Coutts and related parties	3,706,500	-	37,065	-
Mark Gell and related parties	20,407,900	-	204,079	-
Total	136,089,000	59,657,264	1,360,890	3,855,361

CORPORATE GOVERNANCE

The company's corporate governance statement is published in Memphasys' website www.memphasys.com.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Alison Coutts
Executive Chairman



Sydney
27 September 2016

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MEMPHASYS LIMITED
ABN 33 120 047 556**

In relation to the independent audit for the year ended 30 June 2016, the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Memphasys Limited (formerly NuSep Holdings Ltd) and the entities it controlled during the year.



M A GODLEWSKI

Partner

PITCHER PARTNERS

Sydney

27 September 2016

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

		2016	2015
	Notes	\$	\$
			Restated
Continuing operations:			
Revenue	5	63,960	79,900
Gross profit		63,960	79,900
Other income	5	81,673	459,604
General and administration expenses			
Other	6	(1,659,341)	(1,509,329)
Impairment reversal	6	-	18,331
Research and development expenses		(178,573)	(207,706)
Finance cost expenses	6	(326,015)	(682,304)
Exchange loss	6	(156,425)	(518,515)
Loss before income tax		(2,174,721)	(2,360,019)
Income tax expense	7	-	-
Loss after tax from continuing operations		(2,174,721)	(2,360,019)
Discontinued operations:			
Loss from discontinued operations, net of tax	8	(130,803)	(285,665)
Net loss for the year attributable to members of parent		(2,305,524)	(2,645,684)
Other comprehensive (expense)/income:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange translation differences		(73,559)	4,596
Total other comprehensive result for the year		(73,559)	4,596
Total comprehensive expense for the year		(2,379,083)	(2,641,088)
Total comprehensive expense attributable to:			
Owners of the Company		(2,379,083)	(2,641,088)
Non-controlling interest		-	-
Total comprehensive expense for the year		(2,379,083)	(2,641,088)
Earnings per share (EPS)			
	9	Dollar/share	Dollar/share
– basic loss per share		(0.0069)	(0.0128)
– diluted loss per share		(0.0069)	(0.0128)
Earnings per share - continuing operations			
	9	Dollar/share	Dollar/share
– basic loss per share		(0.0065)	(0.0110)
– diluted loss per share		(0.0065)	(0.0110)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2016

		30 June 2016	30 June 2015
	Notes	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	19,003	174,785
Trade and other receivables	11	277,266	18,872
Inventories	12	-	12,376
Other current assets	13	528,230	280,196
Assets held for sale		-	495,142
TOTAL CURRENT ASSETS		824,499	981,371
NON-CURRENT ASSETS			
Financial assets	14	3,824,888	3,824,888
Property, plant and equipment	15	61,977	67,642
Intangible assets	16	2,483,114	1,970,567
TOTAL NON-CURRENT ASSETS		6,369,979	5,863,097
TOTAL ASSETS		7,194,478	6,844,468
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	753,536	420,437
Interest bearing liabilities	18	4,813,959	2,410,323
Non-interest bearing liabilities	19	26,334	175,435
Lease liabilities	29	3,162	-
Tax liabilities	20	(20,898)	(1,436)
Short-term provisions	21	71,788	138,728
Liabilities associated with assets held for sale		-	116,664
TOTAL CURRENT LIABILITIES		5,647,881	3,260,151
NON-CURRENT LIABILITIES			
Lease liabilities	29	13,652	-
Interest bearing liabilities	18	29,357	2,785,461
Long-term provisions	21	25,937	52,265
TOTAL NON-CURRENT LIABILITIES		68,946	2,837,726
TOTAL LIABILITIES		5,716,827	6,097,877
NET ASSETS		1,477,651	746,591
EQUITY			
Issued capital	22	35,909,885	33,582,742
Reserves	24	926,060	216,619
Accumulated losses		(35,358,294)	(33,052,770)
TOTAL EQUITY		1,477,651	746,591

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

Consolidated statement of changes in equity
For the year ended 30 June 2016

	Notes	Issued Capital \$	Foreign Currency Translation Reserve \$	Share Options Reserve \$	Accumulated Losses \$	Total Equity \$
Balance 1 July 2014		29,345,275	68,963	-	(30,407,086)	(992,848)
Movement						
Loss for the period		-	-	-	(2,645,684)	(2,645,684)
Foreign currency translation differences		-	4,596	-	-	4,596
Total comprehensive income for the period		-	4,596	-	(2,645,684)	(2,641,088)
Issue of share capital	22	4,288,001	-	-	-	4,288,001
Transaction costs on share issue	22	(50,534)	-	-	-	(50,534)
Share options issued	24	-	-	143,060	-	143,060
Balance 30 June 2015		33,582,742	73,559	143,060	(33,052,770)	746,591
Balance 1 July 2015		33,582,742	73,559	143,060	(33,052,770)	746,591
Movement						
Loss for the period		-	-	-	(2,305,524)	(2,305,524)
Foreign currency translation differences		-	(73,559)	-	-	(73,559)
Total comprehensive income for the period		-	(73,559)	-	(2,305,524)	(2,379,083)
Issue of share capital	22	2,915,406	-	-	-	2,915,406
Transaction costs on share issue	22	(588,263)	-	-	-	(588,263)
Share options issued	24	-	-	783,000	-	783,000
Balance 30 June 2016		35,909,885	-	926,060	(35,358,294)	1,477,651

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 2016

		2016	2015
	Notes	\$	\$
			Restated
Cash flows from operating activities			
Payments to suppliers and employees		(1,553,125)	(2,412,959)
Government grant receipts		297,291	52,564
Finance costs		(14,746)	(61,783)
Net cash flows used in operating activities	10 (a)	(1,270,580)	(2,422,178)
Cash flows from investing activities			
Interest received		2,223	5,077
Purchase of property, plant and equipment		(5,081)	(18,330)
Receipts from sales of investments		-	377,945
Receipts from sales of business		48,036	-
Purchase of internal development	16	(615,488)	(553,445)
Cash flows relating to discontinued operations	8	(170,249)	891,185
Net cash flows provided by / (used in) investing activities		(740,559)	702,432
Cash flows from financing activities			
Proceeds from issue of shares		1,538,775	-
Share issue costs		(82,771)	(50,534)
Receipts from third party loans		-	228,261
Repayment of third party loans		(250,073)	-
Receipts from related party loans		664,926	1,882,683
Repayment of related party loans		(15,500)	(212,331)
Net cash flows provided by financing activities		1,855,357	1,848,079
Net (decrease)/increase in cash and cash equivalents		(155,782)	128,332
Cash and cash equivalents at beginning of year		174,785	46,453
Cash and cash equivalents at end of year	10	19,003	174,785

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

Memphasys Limited and its Controlled Entities
Notes to Financial Statements
For the year ended 30 June 2016

1. Reporting entity

Memphasys Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 30 Richmond Road, Homebush, NSW 2140, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in the development and manufacture of cell and protein separation devices, and associated consumables, for use in Healthcare, Veterinary and Biotechnology market sectors.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 27 September 2016.

b) Basis of measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost.

c) Functional and presentation currency

The financial information of each of the Group's foreign entities is measured using the currency of the primary economic environment in which it operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's primary functional currency.

d) Use of estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Going concern – refer to Note 3(a);
- Measurement of financial investments – refer to Note 14;
- Intangible assets impairment review – refer to Note 16(d); and
- Other receivables impairment – refer to Note 11.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Going concern

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

In the coming financial year, Memphasys’ commercial development strategy will be focused on the SpermSep business unit and the development of new membranes. To complete the commercialisation of the SpermSep animal artificial insemination and IVF applications and to complete the development of new membranes, Memphasys will require extra funding.

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

- The Group made a net loss for the year ended 30 June 2016 of \$2,305,524 (2015: \$2,645,684).
- For the year ended 30 June 2016 the Group had net cash outflows from operating activities of \$1,270,580 (2015: \$2,422,178) and net cash outflows from investing activities of \$740,559 (2015: net cash inflows \$702,432).
- At 30 June 2016 the Group had a deficiency in working capital of \$4,823,382 (2015: \$2,278,780).
- At 30 June 2016 the Group had net assets of \$1,477,651 (2015: \$746,591).

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

- On 20 September 2016 the Company announced that:
 - it is raising immediate funding of \$940,000 through the issue of secured convertible notes,
 - it has terminated the mandate of former corporate advisors, Transocean Securities, and the consulting services of Dr Robert Gilmour, and
 - it has appointed Platinum Road Pty Ltd as the new corporate advisors.
- By the beginning of October 2016 the Group will receive a tax refund of \$497,355 from the Australian Tax Office for eligible research and development activities carried out by the Group in the financial year ended 30 June 2016 under the research and development tax credit scheme.
- Legal expenditures arising from the ongoing disputes against PrIME Biologics and Manukan are assumed to continue for the foreseeable future. The disputes, in the Singapore High Court, are about the resolution of the payment of the third party A-Bio debt by PrIME, with the B class shares held by the Company as part security over the debt, and the ownership of the GF100. The Company considers the realisable value of the B class shares is substantially higher than the debt repayment and associated legal and interest rate expenses.
- The Group has the ability to access funds through further issues of securities by the parent entity.

Notwithstanding the above, Memphasys will continue to need access to adequate funding to both conduct its activities and to advance the development of the SpermSep technology to commercialisation. There is material uncertainty as to whether adequate funding will be available. This may cast doubt on the Group’s ability to continue as a going concern and therefore, that it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of the carrying amounts of assets and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Significant accounting policies (continued)

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the company controls an investee if and only if the company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A list of controlled entities is contained in Note 27 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, are the Board of Directors.

d) Foreign currency transactions and balances

i) Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised through profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised through profit or loss.

ii) Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings / accumulated losses are translated at the exchange rates prevailing at the date of the transactions.

All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. This will be recognised in profit or loss when the foreign operation or net investment is disposed of.

3. Significant accounting policies (continued)

e) Income tax

The income tax expense for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / assets are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised for the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

f) Inventories

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

3. Significant accounting policies (continued)

g) Assets held for sale and discontinued operations

i) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale or held-for-distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale or held-for-distribution intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to sell.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

The Consolidated Statement of Profit or Loss, the Consolidated Statement of Cash Flows and some notes have been restated due to the reclassification of their items related to discontinued operations.

h) Financial instruments

i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

ii) Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

Amortised cost is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;
- Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows necessitate an adjustment to the carrying value with a consequential recognition of income or expense in profit or loss.

3. Significant accounting policies (continued)

h) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at cost.

iii) Fair value

Fair value is determined based on current bid prices for all quoted investments. If possible, valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

iv) Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, objective evidence that an available-for-sale financial asset is impaired includes observable data indicating that there is a measurable decrease in the expected cash flows to be derived from the financial asset. Impairment losses are recognised through profit or loss.

v) De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i) Property, plant and equipment

Each class of property, plant and equipment is carried at historic cost less, where applicable, any accumulated depreciation and impairment losses.

i) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

ii) Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

3. Significant accounting policies (continued)

i) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable assets are:

	2016	2015
Plant and equipment	10% - 33%	10% - 33%
Leasehold improvements	14% - 20%	14% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of profit or loss and other comprehensive income.

j) Intangible assets

i) Research and development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs capitalised comprises all directly attributable costs, including cost of materials, services, direct labour and an appropriate proportion of overheads. Development costs have a finite life and are amortised from the point at which the asset is ready for use on a systematic basis matched to the future economic benefits over the useful life of the project.

ii) Patents and trademarks

Costs associated with patents and trademarks are expensed in the year in which they are incurred, unless the expenditure will generate future economic benefits. Patents and trademarks capitalised are included in internal development costs and have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses.

iii) Amortisation

Amortisation is based on the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

iv) Impairment

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

k) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed through profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l) 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.

3. Significant accounting policies (continued)

l) Employee benefits (continued)

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.

m) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are classified within short-term borrowings in current liabilities in the statement of financial position.

o) Trade and other payables

Trade and other payables represent liabilities outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within short-term credit terms.

p) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities. A sale is recorded when goods or services have been despatched to a customer pursuant to a sales order and the associated risks and rewards of ownership have passed to the customer. Where cash is received for goods not yet despatched revenue is deferred until risk and rewards of ownership are transferred to the customer.

q) Government grants

A government grant is considered as assistance by a state authority in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operation of the group. The R&D Tax Incentive Scheme for small companies is considered a government grant. Although it is administered by the government through the ATO, it is not linked to the level or availability of taxable profits.

In accordance with AASB120 *Accounting for Government Grants and Disclosure of Government Assistance*, grant income is recognised as receivable at fair value where there is reasonable assurance that the grant will be received and all grant conditions have been satisfied.

The portion of the government grant relating to development assets is credited to deferred income at fair value under development costs. The deferred income is recognised through profit or loss on a straight-line basis over the expected useful life of the asset once development is completed. Government grants relating to costs incurred in the profit or loss statement are recognised as grant income in the same period.

3. Significant accounting policies (continued)

r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST amount except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

u) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted by bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing cost associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

v) New accounting standards and interpretations for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

3. Significant accounting policies (continued)

v) New accounting standards and interpretations for application in future periods (continued)

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the company's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

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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.

	2016 \$	2015 \$
Statement of financial position		
Assets:		
Current assets	<u>590,006</u>	436,043
Total assets	<u><u>4,414,896</u></u>	<u><u>4,260,932</u></u>
Liabilities:		
Current liabilities	<u>5,300,931</u>	3,008,421
Total liabilities	<u><u>5,330,288</u></u>	<u><u>5,821,208</u></u>
Equity:		
Issued capital	35,909,885	33,582,742
Accumulated losses	(37,751,337)	(35,286,078)
Options reserve	<u>926,060</u>	<u>143,060</u>
Total deficiency in equity	<u><u>(915,392)</u></u>	<u><u>(1,560,276)</u></u>
Statement of profit or loss and other comprehensive income		
Total loss for the year	<u><u>(1,796,498)</u></u>	<u><u>(8,144,798)</u></u>
Total comprehensive expense for the year	<u><u>(1,796,498)</u></u>	<u><u>(8,144,798)</u></u>

Guarantees

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

Contingent liabilities

At 30 June 2016, Memphasys Limited had no contingent liabilities (2015: unestimated contingent liability on a court case with the Company's former Managing Director Mr. Prakash Patel).

Contractual commitments

At 30 June 2016, Memphasys Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: \$nil).

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5. Revenue / other income- Continuing operations

	Note	2016 \$	2015 \$ Restated
Sales revenue			
Rent		63,960	79,900
Total revenue		63,960	79,900
Other income			
Grant income		79,453	376,584
Finance income		2,220	5,075
Gain on sale of investments		-	77,945
Total other income		81,673	459,604
Total revenue and other income		145,633	539,504

6. Loss for the year- Continuing operations

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

	Note	2016 \$	2015 \$ Restated
Expenses			
Depreciation:			
Plant and equipment	15	5,810	6,101
Leasehold improvements	15	13,636	13,636
Total depreciation expense		19,446	19,737
Finance costs:			
Interest expense on financial liabilities with related parties	26(f)	51,046	463,242
Other interest expense		274,969	219,062
		326,015	682,304
Staff costs:			
Salaries		666,597	664,625
Superannuation		55,739	54,206

Salaries include amounts which have been capitalised under development expenditure.

Rental expense relating to operating leases		142,140	142,140
Other expenses - impairment (reversal)	11	-	(18,331)
Exchange losses		156,425	518,515

7. Income tax expense

a) Income tax expense

	2016 \$	2015 \$
Income tax reported in the statement of profit or loss and other comprehensive income	-	-

b) Reconciliation of effective tax rate

	2016 \$	2015 \$ Restated
Accounting loss before tax from continuing operations	(2,174,721)	(2,360,019)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(652,416)	(708,006)
Less:		
Tax effect of:		
Non-deductible expenditure	343,949	208,896
Research and development tax incentive (not taxable)	(23,836)	(124,047)
Losses carried forward	332,303	246,650
Income tax expense recorded in statement of profit or loss and other comprehensive income	-	-

c) Deferred income tax

Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences.

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Due to the value of tax losses and the group performance for the year, it is not considered probable that temporary differences will be utilised in the foreseeable future.

d) Tax losses

The Group has separate tax entities within Australia and the United States.

The Australian tax jurisdiction has tax losses which are not recognised in its book at 30 June 2016. The unused tax losses held in the Australian group of companies as at 30 June 2016 is \$28,879,452. These tax losses are available indefinitely. 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. Loss from disposal of assets held for sale and discontinued operations

The pre-cast polyacrylamide gel manufacturing business presented as assets held for sale in the prior financial year was sold in April 2016 for US\$130,000.

The Company decided to discontinue the distribution of biological products in June 2016 due to low sales volume.

Discontinued operations include activities relating with the gels business and the distribution of biological products.

The comparatives figures presented in the consolidated statement of profit or loss and other comprehensive income have been re-presented to show discontinued operations separately from continuing operations.

	2016 \$	2015 \$ Restated
Gels business	(133,178)	(375,338)
Distribution of biological products	2,375	89,673
	(130,803)	(285,665)

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The results for discontinued activities relating with the gels business were as follows:

	2016	2015
	\$	\$
Revenue	467,979	800,427
Expenses	** (601,157)	* (1,175,765)
Results from operating activities	(133,178)	(375,338)
Income tax expense	-	-
Loss for the year	(133,178)	(375,338)

* Includes inventory written off of \$237,000.

** Includes inventory written off of \$34,300

The results for discontinued activities relating with the distribution of biological products were as follows:

	2016	2015
	\$	\$
Revenue	49,563	147,667
Expenses	(47,188)	(57,994)
Results from operating activities	2,375	89,673
Income tax expense	-	-
Profit for the year	2,375	89,673

Cash flows relating to the gels and diagnostics business, discontinued in the current financial year, are as follows:

Cash flows relating to discontinued activities in the current financial year:	2016	2015
	\$	\$
Net cash flow used in operating activities	(170,249)	Restated 39,479
Net cash flow used in investing activities	-	-
Net cash flow from financing activities	-	-
Net cash flows relating to discontinued activities in the current financial year	(170,249)	39,479

Cash flows relating to the PrIME and BioInquire businesses, discontinued in the financial year ended June 2014, are as follows:

Cash flows relating to activities discontinued in the financial year ended June 2015:	2016	2015
	\$	\$
Net cash flow received / (used) in operating activities	-	*687,902
Net cash flow received / (used) in investing activities	-	**163,804
Net cash flow from financing activities	-	-
Net cash flows relating to activities discontinued in the financial year ended June 2015	-	851,706

* Portion of the R&D tax refund received in December 2014 originated from expenditure made in the PrIME project in the prior financial year.

** Amount receivable under the PrIME Investment Agreement collected subsequent to June 2015.

Total cash flows relating to the combined four businesses discontinued in the financial year ended June 2015 and current financial year are as follows:

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Cash flows relating to discontinued activities in the year ended June 2015 and current financial year:	2016 \$	2015 \$
Net cash flow received / (used) in operating activities	(170,249)	727,381
Net cash flow received / (used) used in investing activities	-	163,804
Net cash flow from financing activities	-	-
Net cash flows relating to discontinued activities in the financial year ended June 2014 and current financial year	(170,249)	891,185

Loss per share relating to discontinued activities is in respect of the four discontinued businesses.

Loss per share on results relating to discontinued activities:	2016 \$ Dollar/share	2015 \$ Dollar/share Restated
Basic loss per share	(0.0004)	(0.0014)
Diluted loss per share	(0.0004)	(0.0014)

9. Earnings per share

The income and share data used in the basic and diluted earnings per share computation is:

	2016 \$	2015 \$ Restated
Loss after tax from continuing operations	(2,174,721)	(2,360,019)
Loss from discontinued operations	(130,803)	(285,665)
Net loss for the year	(2,305,524)	(2,645,684)
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	336,547,516	205,961,271
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	336,547,516	205,961,271

10. Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	19,003	174,785

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

	2016 \$	2015 \$ Restated
Loss from ordinary activities after income tax expense:	(2,305,524)	(2,645,684)
Depreciation	19,446	19,737
Net finance cost	323,795	510,230
Gain on sale of investments	-	(77,945)
Loss on sale of property, plant and equipment	7,602	-
Shares issued in lieu of director fees and expenses	174,573	-
Shares issued in lieu of underwriting fees	-	23,937
Loss arising on discontinued operations	130,803	285,664
Impairment reversal	-	(18,331)
Foreign exchange translation	156,425	518,515
Share option reserve charge	-	143,060
	<u>(1,492,880)</u>	<u>(1,240,816)</u>
Change in operating assets and liabilities:		
(Increase)/decrease in inventories	12,376	(5,946)
Increase in trade and other receivables	(435,436)	(85,330)
(Increase)/decrease in current assets and liabilities classified as held for sale	(148,415)	148,415
(Decrease)/increase in trade payables	333,099	(576,150)
Increase in tax liabilities	(19,462)	(156,827)
(Decrease)/increase in provisions	(93,268)	30,187
Increase in deferred income	417,903	253,453
Cash flow related to discontinued operation (Note 8)	170,249	(727,381)
Cash used in operating activities	<u>(1,255,834)</u>	<u>(2,360,395)</u>
Interest paid	<u>(14,746)</u>	<u>(61,783)</u>
Net cash outflows from operating activities	<u>(1,270,580)</u>	<u>(2,422,178)</u>

11. Trade and other receivables

	2016 \$	2015 \$
Trade and other receivables - current		
Trade receivables	72,657	18,872
Other receivables – sale of gels business	121,876	-
Other receivables	82,733	-
	<u>277,266</u>	<u>18,872</u>
Trade and other receivables – non-current		
Related party receivable – Thee Woon Goh	947,311	947,311
Impairment of related party receivables	<u>(947,311)</u>	<u>(947,311)</u>
	<u>-</u>	<u>-</u>

On 25 November 2011, Mr Thee Woon Goh, a non-executive director at the time of the Singapore subsidiary, Prime Biologics Pte Ltd, exercised 12,622,691 short dated share options. The consideration for these shares was not paid when due in November 2011 and the Company entered into a debt agreement with Mr Thee Woon Goh. Under the terms of the agreement, certain rights and entitlements of the shares were suspended and the

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Company retained a lien over the securities. The loan has not been repaid during the reporting date and it is envisaged that the parties will re-negotiate terms after the reporting period.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28(a) to the financial statements.

12. Inventories

	2016 \$	2015 \$
Raw materials – at cost	-	-
Finished goods – at cost	-	12,376
Less: provision for obsolete inventory	-	-
	<u>-</u>	<u>12,376</u>

13. Current assets – other assets

	2016 \$	2015 \$
Term deposit – bank guarantee rent Homebush	37,950	37,950
Security deposit	4,788	-
Prepaid expenses	38,691	17,851
Amount receivable under R&D Tax Incentive Scheme	497,356	328,839
Tax liability ATO	(50,555)	(104,444)
	<u>528,230</u>	<u>280,196</u>

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

A portion of the liability owing to Australian Taxation Office has been offset against the research and development incentive grant receivable balance.

14. Financial assets - available-for-sale

	2016 \$	2015 \$
Shares in unlisted entities - at cost	<u>3,824,888</u>	<u>3,824,888</u>

Available-for-sale financial assets comprise an investment in Series B preference shares in a former subsidiary, PrIME Biologics Pte Limited (PrIME). There are no fixed returns or fixed maturity dates attached to this investment. The investment is held at cost as the equity instruments do not have a quoted market price in an active market and the fair value cannot be reliably determined.

a) Measurement of investment in PrIME Biologics Pte Limited

Accounting Standards ordinarily require the investment in PrIME to be recognised for at fair value. Memphasys retains Series B preference shares in PrIME. This equity class has notably different rights to the Series A preference shares which have control over all major decisions and can determine future distributions or a liquidating event (refer to Notes 14(b) and 14(c)). However, as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed at this stage, Memphasys is precluded from measuring the investment at fair value. As a result, a cost basis is considered appropriate in the circumstances.

In assessing whether there are any indicators of impairment of the investment in PrIME, it has been determined that no events have been identified to indicate an impairment of the investment at 30 June 2016.

b) Voting rights in PrIME Biologics Pte Limited

As a holder of Series B Preference Shares, Memphasys is entitled to receive notices of, and attend and speak at, any meetings of the Shareholders with no rights to vote except;

- If its dividends as Series B Preference shareholders remain unpaid;
- Upon any resolution which varies the rights attached to its shares; and
- Upon any resolution for the winding up of the Company.

c) Entitlements in the event of a liquidating event

In the event of liquidation, dissolution or winding up of PrIME, or the sale, lease or disposal of all or substantially all of its assets, or acquisition by another entity, or other transactions in which more than 50% of the outstanding voting power of PrIME is disposed of, distribution of the assets and funds to the shareholders shall be made in the following manner:

- In the event that such distribution is up to USD\$100m: after the holders of Series A Preference Shares received an amount equal to 2 times their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.
- In the event that such distribution is between USD\$100m and USD \$200m: after the holders of Series A Preference Shares received an amount equal to 1.5 times their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.
- In the event that such distribution is above USD\$200m: after the holders of Series A Preference Shares received an amount equal to their initial investment plus an amount equal to all declared but unpaid dividends on of Series A Preference Shares, the remaining assets available for distribution will be distributed in accordance with the Series A and Series B preference shareholdings on a converted basis.

The Series A preference shareholders have control over when a preference share equity conversion can occur. Under the PrIME Investment Agreement, there are four Completion Points or Milestones.

PrIME Biologics received a GMP accreditation (Completion Point two), however it is unclear from the description by PrIME as to what this accreditation enables PrIME to do. PrIME was able to demonstrate the separation of albumin from plasma using Memphasys' GF100 machine, the ownership of which is now in dispute, but PrIME did not mention any ability to separate the higher value immunoglobulin component. The quantity of albumin separated was noted to be an amount that required scale up. PrIME's website, www.primebiologics.com.sg, provides a fuller description about the cGMP accreditation that PrIME received.

Upon each milestone being reached, Series A shareholders are required to make further equity-based investments, thereby diluting the percentage of PrIME held by Memphasys. PrIME has had a number of rounds of capital invested in it by the A class shareholders since the Investment Agreement was signed in mid 2014. In August 2015, JP Capital and Manukan invested S\$8.8 million, but initially did so through a loan on which they charged 50% 'monthly' interest rate for two months, which they then subsequently converted into equity despite Memphasys' objection to the interest rate that was applied. There have been further capital raisings from the A class shareholders since then, most recently at a 10% discount to the initial price per share. Memphasys currently holds 95,912 B class shares in PrIME however the exact percentage of PrIME that Memphasys holds is in dispute.

As previously described in the Review of Operation, Memphasys is in litigation in the Singapore High Court against PrIME and its key investor, Manukan on two separate actions.

15. Property, plant and equipment

	Note	Plant & Equipment \$	Leasehold Improvements \$	Total \$
Cost:				
Balance at 1 July 2014		946,390	592,811	1,539,201
Additions		18,330	-	18,330
Exchange differences		(208)	(454)	(662)
Deconsolidated component		(297,467)	-	(297,467)
Balance at 30 June 2015		667,045	592,357	1,259,402
Balance at 1 July 2015		667,045	592,357	1,259,402
Additions		21,384	-	21,384
Disposals		(17,728)	-	(17,728)
Balance at 30 June 2016		670,701	592,357	1,263,058
Accumulated depreciation:				
Balance at 1 July 2014		580,200	533,677	1,113,877
Depreciation for the year		6,101	13,636	19,737
Discontinued operation *		54,009	4,137	58,146
Balance at 30 June 2015		640,310	551,450	1,191,760
Balance at 1 July 2015		640,310	551,450	1,191,760
Depreciation for the year	6	5,810	13,636	19,446
Disposals		(10,125)	-	(10,125)
Balance at 30 June 2016		635,995	565,086	1,201,081
Net book value at 30 June 2015		26,735	40,907	67,642
Net book value at 30 June 2016		34,706	27,271	61,977

* The discontinued operation component movement relates to the property, plant and equipment reclassified as held for sale (refer to Note 8).

16. Intangible assets

a) Reconciliation of movements in intangible assets

		Internal Development \$	Total \$
Cost:			
Balance at 1 July 2014		1,821,314	1,821,314
Additions		553,445	553,445
Balance at 30 June 2015		2,374,759	2,374,759
Balance at 1 July 2016		2,374,759	2,374,759
Additions		930,450	930,450
Balance at 30 June 2016		3,305,209	3,305,209
Accumulated grant income:			
Balance at 1 July 2014		150,738	150,738
Grant income for the year	16(c)	253,454	253,454
Balance at 30 June 2015		404,192	404,192

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		Internal Development \$	Total \$
Balance at 1 July 2015		404,192	404,192
Grant income for the year	16(c)	417,903	417,903
Balance at 30 June 2016		822,095	822,095
Net carrying value at 30 June 2015		1,970,567	1,970,567
Net carrying value at 30 June 2016		2,483,114	2,483,114

The Group capitalises development costs based on time spent by employees, the type of project, related development tasks and other related factors. The intangible assets will be amortised when they are available for use.

b) Reconciliation of intangible assets carrying value by project

	2016 \$	2015 \$
SpermSep separations – humans	2,060,866	1,830,343
SpermSep separations – animals	301,688	140,224
Membranes - SpermSep	120,560	-
	2,483,114	1,970,567

c) Reconciliation of grant income receivable at 30 June

		2016 \$	2015 \$
	Note		
Analysis of grant income receivable:			
Component relating to projects under development	16(a)	417,903	253,454
Recognised as grant income in the current period		79,453	75,385
Total government grants receivable	13	497,356	328,839

d) Impairment review of intangible assets under development

In assessing whether there are any indicators of impairment relating to the SpermSep business unit, the following factors have been taken into account:

- In the current year Memphasys has progressed its SpermSep business. A legal Collaborative Agreement with the University of Newcastle was executed and the association with the University and with Professor John Aitken was further strengthened. Memphasys is collaborating with the University of Newcastle in both human and animal reproduction. The University's main focus in the animal reproduction field with Memphasys is equine reproduction.
- The company continued to refine and develop its strategy for SpermSep. The SpermSep clinical prototype, which the Company is now developing and which is to be evaluated by global key clinical IVF opinion leaders, has a new, cost efficient, biocompatible membrane and a completely re-engineered, simplified and improved design appropriate for clinical use
- Results of an in-vitro clinical evaluation by Monash IVF of the performance of a SpermSep research grade device were positive. This study showed that the research grade device worked well and that there is a market need for a clinical grade device.
- Memphasys is also maintaining its collaboration with Minitube GmbH ("Minitube"), the largest global provider of animal Artificial Reproductive Technologies (ART) products. The main research program with Minitube is the preparation of frozen bovine semen, a technically challenging project, to process in the SpermSep device. Whilst this program is technically difficult it has provided remarkable insights about how the SpermSep device could be re-engineered for the human IVF market. Memphasys is now applying these findings in re-engineering an animal ART device.

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- Memphasys also has a consultancy arrangement with the University of Melbourne Chemical and Biomolecular Engineering Department and is working on the development of new membranes and other separation systems for additional high value biological separations beyond SpemSep. Melbourne University's Chemical and Biomolecular Engineering Department assisted with the development of an entirely new membrane for the SpemSep device. A consulting agreement was executed to develop new membranes and separation technologies for other high value applications beyond the initial new membranes for SpemSep.
- The Group has assessed that future economic benefits from the intangible assets will be greater than the sum of development costs at the reporting date plus future development costs to commercialise the assets.
- The Group has assessed that there are no new specific risks in relation to the development and commercialisation of the projects. The key risk remains the generation of adequate funding to complete commercialisation.
- Memphasys is confident it will be able to generate sufficient funding in the coming year to advance the commercialisation of the SpemSep development.

17. Trade and other payables

		2016 \$	2015 \$
	Note		
Trade payables		430,208	245,151
Government grants refundable		-	-
Payable to related parties	26(f)(i)	70,824	27,498
Other creditors and accruals		252,504	147,788
		753,536	420,437

The Group's exposure to liquidity and market risk risks related to trade and other payables are disclosed in Note 28.

18. Interest bearing liabilities

		2016 \$	2015 \$
	Note		
Current:			
Loans from related parties – secured	26(f)(ii)	-	231,625
Third party debt – secured		4,813,959	2,178,698
		4,813,959	2,410,323

2016 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Third party debt – secured A-Bio Pharma Pte Ltd*	SGD	8%	2016	4,813,959	4,813,959
Total current debt at 30 June 2016				4,813,959	4,813,959

* In order to obtain the B class shares in PrIME, Memphasys agreed to take over a third party debt to A-Bio Pharma Pte Ltd ("A-Bio") on the GMP production facility in Singapore that PrIME is using.

Memphasys has not paid the third party debt which was due to be paid to A-Bio at the end of March 2016. Initially A-Bio sought payment from Memphasys but has subsequently sought payment from PrIME. The debt payment is guaranteed by PrIME and the Memphasys' B shares in PrIME are held as security for the payment. There are complex agreements around the debt repayment and this is an area in which Memphasys is in litigation against PrIME and Manukan. The 8% interest rate is a default rate but is also subject to negotiations between Memphasys and Manukan.

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2015 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loan - Andrew Goodall	NZD	10%	2015	221,599	221,599
Related party loan – Goodall Family Super Fund	AUD	5%	2015	10,026	10,026
Third party debt – secured A-Bio Pharma Pte Ltd	SGD	5%	2016	1,934,236	1,934,236
Third party loan – Marquette Pte Ltd	SGD	5%	2015	244,462	244,462
Total current debt at 30 June 2015				2,410,323	2,410,323

Refer to Note 26(f)(ii) for additional information on related party loans.

	Note	2016 \$	2015 \$
Non-current:			
Loans from related parties – secured	26(f)(ii)	29,357	-
Convertible loan notes from related parties – secured	26(f)(ii)(c&e)	-	310,682
Third party debt – secured A-Bio Pharma Pte Ltd		-	2,474,779
		29,357	2,785,461

2016 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loans	AUD	10%	2018	29,357	29,357
Total non-current debt at 30 June 2016				29,357	29,357

2015 Analysis of debt	Currency	Interest rate	Year of maturity	Face value	Carrying value
Related party loans	AUD	12%	2017	94,851	94,851
Related party loans	AUD	5%	2018	215,831	215,831
Third party debt – A-Bio Pharma Pte Ltd	SGD	5%	2016	2,474,779	2,474,779
Total non-current debt at 30 June 2015				2,785,461	2,785,461

Refer to Note 26(f)(ii) for additional information on related party loans.

19. Non-interest bearing liabilities

The balance of \$26,334 relates to a remaining balance originated from a convertible note signed with Ms Chang Seow Ying Alison with a face value of \$387,765, converted into equity after resolutions approved in AGM held on 19 December 2014. The face value represented the original loan plus interests and the effect of foreign currency exchange translations accrued at 30 September 2014. The remainder of this loan relates to interest accrued from 1 October 2014 to the actual date of conversion 22 December 2014. Ms Chang Seow Ying Alison has agreed to convert this balance into shares subject to approval by shareholders at the next AGM.

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20. Tax liabilities

	2016 \$	2015 \$
Office of State Revenue NSW – payroll tax	663	5,832
Australian Taxation Office – GST position June	(21,561)	(7,268)
	<u>(20,898)</u>	<u>(1,436)</u>

21. Provisions

	2015 \$	2015 \$
Current:		
Provision for employee benefits - current	<u>71,788</u>	<u>138,728</u>
Non-current:		
Provision for employee benefits – non-current	<u>25,937</u>	<u>52,265</u>
Provision for employee benefits:		
Balance at beginning of year	190,993	198,395
Provision utilised	(35,751)	(64,356)
Recognised through profit or loss	(25,402)	56,414
Paid as a redundancy payment	(32,116)	-
	<u>97,925</u>	<u>190,993</u>

22. Share capital

a) Share capital

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary Shares – fully paid	<u>569,234,004</u>	<u>237,606,002</u>	<u>35,909,885</u>	<u>33,582,742</u>

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

	Note	2016 Shares	2015 Shares	2016 \$	2015 \$
Balance at beginning of year		237,606,002	171,259,377	33,582,742	29,345,275
Share issue under share placement		37,123,956	-	371,239	-
Share issue under share purchase plan		9,887,045	-	266,997	-
Shares issue under non-renounceable entitlement offer		131,070,701	-	741,707	-
Share issue in lieu of director fees and expenses	26(f)(v)	8,641,400	46,863	86,414	3,438
Share issue in lieu of salaries	26(f)(v)	8,815,900	259,528	88,159	17,500
Share issue in lieu of underwriting fees		-	371,110	-	23,937
Share issue on conversion of loans	26(f)(iv)	136,089,000	65,669,124	1,360,890	4,243,126
		<u>569,234,004</u>	<u>237,606,002</u>	<u>36,498,148</u>	<u>33,633,276</u>
Less issue costs				<u>(588,263)</u>	<u>(50,534)</u>
Balance at end of year		<u>569,234,004</u>	<u>237,606,002</u>	<u>35,909,885</u>	<u>33,582,742</u>

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i) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares do not have a par value.

ii) Listed Options

No listed share options were issued during the 2016 financial year (2015: nil).

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22. Share capital (continued)

c) Unlisted Options

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

Grant date	Expiry date	Vesting commencement date	Exercise price	Balance at start of year	Issued during the year	Exercised during the year	Lapsed /cancelled during the year	Balance at end of the year
Consolidated and parent entity – 2016:								
22 December 2014	5 December 2015	-	\$0.1015	1,200,000	-	-	1,200,000	-
22 December 2014	20 January 2016	-	\$0.112	4,125,000	-	-	4,125,000	-
22 December 2014	1 November 2016	-	\$0.112	2,000,000	-	-	-	2,000,000
04 April 2016	30 November 2016	-	\$0.016	-	284,617,002	-	-	284,617,002
22 December 2014	5 December 2016	-	\$0.1015	1,200,000	-	-	-	1,200,000
22 December 2014	1 November 2017	-	\$0.112	1,500,000	-	-	-	1,500,000
22 December 2014	5 December 2017	-	\$0.1015	1,200,000	-	-	-	1,200,000
Total		-		11,225,000	284,617,002	-	5,325,000	290,517,002

The number of options over ordinary shares in Memphasys issued to related parties during the year are as follows:

2016	Balance at start of year	Granted	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
Andrew Goodall	6,325,000	118,286,047	-	2,825,000	121,786,047	3,500,000	118,286,047
Marjorie Anne Goodall	300,000	-	-	300,000	-	-	-
Chang Seow Ying Alison	1,000,000	-	-	1,000,000	-	-	-
Alison Coutts	3,600,000	-	-	1,200,000	2,400,000	2,400,000	-
Syrah Trustee Limited	-	6,750,000	-	-	6,750,000	-	6,750,000
Total	11,225,000	125,036,047	-	5,325,000	130,936,047	5,900,000	125,036,047

2015	Balance at start of year	Granted	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable	Non Exercisable
Andrew Goodall	-	6,325,000	-	-	6,325,000	-	6,325,000
Marjorie Anne Goodall	-	300,000	-	-	300,000	-	300,000
Chang Seow Ying Alison	-	1,000,000	-	-	1,000,000	-	1,000,000
Alison Coutts	-	3,600,000	-	-	3,600,000	-	3,600,000
Total	-	11,225,000	-	-	11,225,000	-	11,225,000

23. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Refer to Note 3(a) of the financial statements for further details of the company's strategy for capital management.

24. Reserves

Share options reserve

The share option reserve is used to recognise the fair value of the following options:

Number of options	Granted to	Granted on	Shareholder's Approval	Reserve amount \$
6,625,000	Andrew Goodall	AGM December 2014	Approved by shareholder's	120,500
1,000,000	Chang Seow Ying Alison	AGM December 2014	Approved by shareholder's	22,560
Total value of options granted at 30 June 2015				143,060
37,123,956	Transocean Securities Pty Ltd	Private Placement January 2016	Subject to shareholder approval	74,000
50,000,000	Transocean Securities Pty Ltd	Rights Issue April 2016	Subject to shareholder approval	100,000
20,000,000	Robert Gilmour	Rights Issue April 2016	Subject to shareholder approval	40,000
284,617,002	Shareholders	Rights Issue April 2016	Subject to shareholder approval	569,000
Total value of options granted in the financial year ended 30 June 2016				783,000
Total value of options granted at 30 June 2016				926,020

In accordance with *Accounting Standard AASB2 'Share Based payments'*, the options were valued using the Black-Scholes valuation methodology with an additional 30% discount applied to the final valuation due to lack of marketability of the options. The fair value of each option is estimated on grant date with the following assumptions used:

- For the options granted to Transocean Securities Pty Ltd in Private Placement in January 2016:

Dividend yield	0%
Risk-free interest rate	1.83%
Expected volatility	97.67%

- For the options granted to Transocean Securities Pty Ltd, Robert Gilmour and shareholders in Rights Issue in April 2016:

Dividend yield	0%
Risk-free interest rate	1.88%
Expected volatility	101.58%

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on foreign change gain from translation of net investments in foreign subsidiary companies and exchange translation losses of foreign subsidiaries' accounts.

25. Auditors' remuneration

	2016	2015
	\$	\$
<i>Pitcher Partners</i>		
Audit & Assurance services		
Review of interim report	25,000	18,000
Audit of financial report – year end	40,000	45,000
Total remuneration for services	65,000	63,000

26. Related parties

a) Parent and ultimate controlling party

Memphasys Limited (incorporated in Australia) is the ultimate parent entity.

b) Detail of key management personnel

i. Directors

Ms Alison Coutts	Executive Chairman
Mr Andrew Goodall	Non-Executive Director
Mr Michael Graham	Non-Executive Director (Resigned 4 January 2016)
Mr Mark Gell	Non-Executive Director (Resigned 12 April 2016)
Dr Robert Gilmour	Non-Executive Director (Appointed 12 April 2016)
Mr John Pereira	Non-Executive Director (Appointed 30 August 2016)

ii. Executives

Mike Richardson PhD	Director of Operations
Pablo Neyertz	Director of Finance

c) Key management personnel compensation

The key management personnel compensation included:

	2016	2015
	\$	\$
Short-term employee benefits	621,827	651,655
Other long-term employee benefits	-	14,749
Post-employment benefits	40,303	39,524
	662,130	705,928

d) Share based compensation - Options

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

The amount of options remuneration is determined on a pro rata basis, by expensing the fair value estimate of each option over the vesting period and the individual option grant. The fair value of each option is estimated on grant date using Black-Scholes option pricing model. However, as there was no value vested for these options during the financial year, there was no share based expense recognised in the Consolidated Statement of Profit and Loss.

26. Related parties (continued)

e) Shareholding of directors

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.

Directors & their shareholding	Balance as at 1 July 2015	Net movement	Director resigned	Balance as at 30 June 2016
Alison Coutts (a)	311,252	20,407,956	-	20,719,208
Andrew Goodall (b)	57,666,836	112,741,603	-	170,408,439
Michael Graham #	-	-	-	-
Mark Gel #	-	22,407,895	(22,407,895)	-
Dr Robert Gilmour *	-	9,500,000	-	9,500,000
Total	57,978,088	165,057,454	(22,407,895)	200,627,647

* Directors appointed during the year. # Directors resigned during the year.

a. Alison Coutt's shareholding comprised 16,931,608 held directly and 3,787,600 held indirectly.

b. Andrew Goodall's shareholding comprised 149,498,897 held directly and 20,909,542 held indirectly.

Directors & their shareholding	Balance as at 1 July 2014	Net movement	Director resigned	Balance as at 30 June 2015
Alison Coutts	57,724	259,528	-	311,252
Andrew Goodall (a)	24,798,300	32,868,536	-	57,666,836
Prakash Patel #	349,079	-	(349,079)	-
Michael Graham *	-	-	-	-
Mark Gell *	-	-	-	-
Total	25,199,103	33,128,064	(349,079)	57,978,088

* Directors appointed during the year. # Directors resigned during the year.

a. Andrew Goodall's shareholding comprised 46,056,319 held directly and 11,610,517 held indirectly.

f) Other transactions with key management personnel and related parties

i) At 30 June 2016, director fees payable of \$33,395 (2015: \$27,498) included Andrew Goodall \$21,478 (2015: \$2,500) and Dr Robert Gilmour \$11,917.

ii) Loans payable to related parties:

	Current balances:		Non-current balances:	
	2016	2015	2016	2015
	\$	\$	\$	\$
Andrew Goodall	-	221,599	-	30,112
Ti Rakau Developments Ltd	-	149,102	-	-
Ms Chang Seow Ying Alison (a)	26,334	26,334	-	-
Goodall Family Super Fund	-	10,025	-	45,218
Alison Coutts	-	-	(b) 10,044	-
Mark Gell	-	-	-	94,851
Mark Gell Super Fund	-	-	-	100,356
Alison Coutts Super Fund	-	-	(c) 19,313	40,145
Total	26,334	407,060	29,357	310,682

Loan ref	Currency	Interest rate	Maturity	Security
a)	AUD	0%	At call	Unsecured
b)	AUD	10%	Jun 18	Unsecured
c)	AUD	10%	Jun 18	Unsecured

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f) Other transactions with key management personnel (continued)

iii) Interest on financial liabilities with related parties:

	Note	2016 \$	2015 \$
John Manusu		-	4,618
Dr Hari Nair		-	186
Andrew Goodall – interests		32,912	150,815
Andrew Goodall – options issued AGM Resol. 13	24	-	120,500
Ti Rakau Developments Ltd		-	126,096
Ms Chang Seow Ying Alison – interests		-	28,973
Ms Chang Seow Ying Alison – options issued AGM Resol. 13	24	-	22,560
Alison Coutts		1,366	3,953
Mark Gell		7,918	5,521
Alison Coutts Super Fund		912	145
Goodall Family Super Fund		4,107	192
Mark Gell Super Fund		3,831	356
		51,046	463,242

iv) Loans converted into shares:

	Number of shares		Converted loan balance	
	2016	2015	2016 \$	2015 \$
Andrew Goodall and related parties	111,974,600	59,657,264	1,119,746	3,855,361
Alison Coutts and related parties	3,706,500	-	37,065	-
Mark Gell and related parties	20,407,900	-	204,079	-
Total	136,089,000	59,657,264	1,360,890	3,855,361

v) Salaries, director fees, director fees expenses and consulting fees converted into shares:

	Number of shares		Converted amount	
	2016	2015	2016 \$	2015 \$
Alison Coutts – salaries	8,815,900	-	88,159	-
Alison Coutts – director fees	2,330,000	-	23,300	-
Andrew Goodall – consulting fees	2,000,000	-	20,000	-
Andrew Goodall – director fees	3,658,600	-	36,586	-
Andrew Goodall – travel expenses	652,800	-	6,528	-
Clifford Eu	-	46,863	-	3,438
Total	17,457,300	46,863	174,573	3,438

g) Other transactions with companies in the group

Transactions between Memphasys Limited and other entities in the wholly-owned group during the year ended 30 June 2016 consisted of:

- the distribution of electrophoresis gels and provision of accounting services; and
- loans advanced by Memphasys Limited or controlled entities.

The loans advanced by Memphasys Limited to NuSep Inc, and the distribution of electrophoresis gels by NuSep Pty Ltd to NuSep Inc from 1 April 2016 have accumulated a balance of \$132,659 which was written off at the end of the financial year.

27. Controlled entities

Name of entity	Country of Incorporation	Class of share	Equity Holding		
			2016 %	2015 %	
NuSep Pty Ltd	Australia	Ordinary	100	100	
NuSep Inc.	United States	Ordinary	-	100	
KaoSep Inc.	United States	Ordinary	100	100	Dormant
SpermSep Pty Ltd	Australia	Ordinary	100	100	Dormant
InqSep Inc.	United States	Ordinary	100	100	Dormant
Kaogen Pty Ltd	Australia	Ordinary	100	100	Dormant

28. Financial risk management policies

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

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. The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with strong, creditworthy customers across all business segments.

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within this note. The class of assets described as trade and other receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant risk exposures in Australia.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with aging analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transactions. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. Payment terms are general 30-45 days from the date of the invoice, except for other receivables which includes the receivable from Mr Thee Woon Goh.

The chart below profiles the receivable balances at the reporting date.

	Gross amount \$	Impairment provision \$	Within terms \$	Past due but not impaired		
				<30 days \$	31-60 days \$	> 60days \$
As at 30 June 2016:						
Trade receivables	72,657	-	7,876	18,876	1,254	44,651
Other receivables	204,608	-	204,608			
Other receivables	947,311	(947,311)	-	-	-	-
Total	1,224,576	(947,311)	223,484	18,876	1,254	44,651
As at 30 June 2015:						
Trade receivables	18,872	-	17,629	1,243	-	-
Other receivables	947,311	(947,311)	-	-	-	-
Total	966,183	(947,311)	17,629	1,243	-	-

28. Financial risk management policies (continued)

b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing regular rolling cash flow forecasts in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- monitoring the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that finance facilities will be rolled forward.

	Within one year		One to five years		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Financial liabilities:						
Trade & other payables	753,536	420,437	-	-	753,536	420,437
Interest bearing liabilities	4,813,959	2,410,323	29,357	2,785,461	4,843,316	5,195,784
Non-interest bearing liabilities	26,334	175,435	-	-	26,334	175,435
Lease liabilities	3,162	-	13,652	-	16,814	-
Tax liabilities	(20,898)	(1,436)	-	-	(20,898)	(1,436)
Liabilities associated with assets held for sale	-	116,664	-	-	-	116,664
Expected outflows	5,576,093	3,121,423	43,009	2,785,461	5,619,102	5,906,884
Financial assets:						
Cash & cash equivalents	19,003	174,785	-	-	19,003	174,785
Trade receivables	277,266	18,872	-	-	277,266	18,872
Other assets	43,478	17,851	37,950	37,950	81,428	55,801
Tax receivables	446,801	224,395	-	-	446,801	224,395
Assets held for sale	-	495,142	-	-	-	495,142
Investments	3,824,888	-	-	3,824,888	3,824,888	3,824,888
Expected inflows	4,611,436	931,045	37,950	3,862,838	4,649,386	4,793,883
Net expected cash flow	(964,657)	(2,190,378)	(5,059)	1,077,377	(969,716)	(1,113,001)

The deficiency in net expected cash flows has been discussed further in Note 3(a) of the financial statements.

28. Financial risk management policies (continued)

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 2016 all of the Company's interest bearing liabilities are at fixed rate, 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. The Group operates internationally and is exposed to foreign exchange risk primarily arising from currency exposures to the US, Singaporean and NZ dollars.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in different currencies, including the functional currency of the operations.

Group position at 30 June 2016	Net Financial Assets/(Liabilities) in AUD\$			
	USD \$	SGD \$	NZD \$	Total AUD \$
Financial assets:				
Cash and cash equivalents	3,710	-	-	3,710
Other receivables	121,877	-	-	121,877
Finance assets	-	3,824,888	-	3,824,888
Financial liabilities:				
Trade and other payables	(11,730)	-	-	(11,730)
Interest bearing liabilities - current	-	(4,813,959)	-	(4,813,959)
Statement of financial position exposure per currency	113,857	(989,071)	-	(875,214)

Group position at 30 June 2015	Net Financial Assets/(Liabilities) in AUD\$			
	USD \$	SGD \$	NZD \$	Total AUD \$
Financial assets:				
Cash and cash equivalents	18,871	-	-	18,871
Assets held for sale	117,062	-	-	117,062
Finance assets	-	3,824,888	-	3,824,888
Financial liabilities:				
Trade and other payables	(27,045)	(3,129)	-	(30,174)
Interest bearing liabilities - current	-	(2,178,698)	(221,599)	(2,400,297)
Liabilities associated with assets held for sale	(58,814)	-	-	(58,814)
Interest bearing liabilities - non-current	-	(2,474,779)	-	(2,474,779)
Statement of financial position exposure per currency	50,074	(831,718)	(221,599)	(1,003,243)

28. Financial risk management policies (continued)

c) Market risk (continued)

Sensitivity analysis

At 30 June 2016, had the United States Dollar and Singaporean Dollar moved as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Group position at 30 June 2016

	Exposure per currency	Impact of AUD \$ strengthening	Impact of AUD \$ Weakening
USD (movement 1%)	113,857	(1,366)	1,366
SGD (movement 4%)	(989,071)	38,574	(38,574)

Group position at 30 June 2015

	Exposure per currency	Impact of AUD \$ strengthening	Impact of AUD \$ Weakening
USD (movement 12%)	50,074	(5,859)	5,859
SGD (movement 6%)	(1,063,343)	69,117	(69,117)
NZD (movement 10%)	(221,599)	21,495	(21,495)

29. Capital and leasing commitments

a) Capital commitments

There are no commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities.

b) Operating lease commitments

	2016 \$	2015 \$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payables:		
Within one year	146,404	142,140
Later than one year but not later than 5 years	126,070	266,907
	272,474	409,047

At 30 June 2016 the Group had one operating lease for its production and commercial properties in Australia. This is a non-cancellable lease and has a remaining non-cancellable lease term of 22 months.

c) Finance lease commitments

	2016 \$	2015 \$
Commitments in relation to finance leases contracted for at the reporting date recognised as liabilities, payables:		
Within one year	4,260	-
Later than one year but not later than 5 years	15,916	-
	20,176	-

Memphasys Limited and its Controlled Entities
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	2016 \$	2015 \$
Total lease commitment	20,176	-
Lease commitment - interest component	<u>3,362</u>	-
Lease commitment – principal component	<u><u>16,814</u></u>	-

At 30 June 2016 the Group had one finance lease for purchase of a telephone equipment. The remaining lease term is 57 months.

30. Segment reporting

a) Reportable segments

The consolidated entity is organised on a global basis into the following reportable segments by product and service type.

- *Consumable Products*
The distribution of biological products has been reclassified as discontinued operations. Refer to Note 8 for details of changes in this group segment in the current year.
- *Separations*
Develops and markets the PrIME technology in both the commercial and research markets, including the ProteomeSep and SpermSep devices. The income in this section includes the rental fee on Memphasys' GF-100 machine by PrIME Biologics Pte Ltd in its Singapore facility.
- *Corporate*
Conducts corporate functions of the organisation.

b) Geographic segments

After the reclassification of the consumable products as discontinued operation, revenue comprises sales mainly performed in Australia.

Further comments on the operations and the results of those operations are set out in the Directors' report.

Memphasys Limited and its Controlled Entities
Notes to Financial Statements
For the year ended 30 June 2016

30. Segment reporting (continued)

Year ended 30 June 2016	Consumable products \$	Separations \$	Corporate \$	Group result \$
Revenue from sales or services	-	63,960	-	63,960
<i>Income from outside operating activities:</i>				
Grant income	-	79,453	-	79,453
Interest income	-	-	2,220	2,220
Discontinued operation result	517,542	-	-	517,542
Total segment result	<u>517,542</u>	<u>143,413</u>	<u>2,220</u>	<u>663,175</u>
Total segment profit/(losses) from continuing operations	-	(35,159)	(2,139,562)	(2,174,721)
Total segment loss from discontinued operations	<u>(130,803)</u>	<u>-</u>	<u>-</u>	<u>(130,803)</u>
Total segment result from continuing & discontinued operations	<u>(130,803)</u>	<u>(35,159)</u>	<u>(2,139,562)</u>	<u>(2,305,524)</u>
Depreciation & amortisation	-	1,037	18,409	19,446
Segment assets	<u>194,533</u>	<u>3,092,324</u>	<u>3,907,621</u>	<u>7,194,478</u>
Segment liabilities	<u>33,190</u>	<u>313,899</u>	<u>5,369,738</u>	<u>5,716,827</u>
Acquisition of capital assets	<u>-</u>	<u>3,806</u>	<u>17,577</u>	<u>21,383</u>

Memphasys Limited and its Controlled Entities
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31. Segment reporting (continued)

Year ended 30 June 2015 - restated	Consumable products	Separations	Corporate	Group result
	\$	\$	\$	\$
Revenue from sales or services	-	79,900	-	79,900
<i>Income from outside operating activities:</i>				
Grant income	-	376,584	-	376,584
Interest income	-	-	5,075	5,075
Other income	-	-	77,945	77,945
Discontinued operation result	948,094	-	-	948,094
Total segment result	948,094	456,484	83,020	1,487,598
Total segment profit/(losses) from continuing operations	-	248,778	(2,608,797)	(2,360,019)
Total segment loss from discontinued operations	(285,665)	-	-	(285,665)
Total segment result from continuing & discontinued operations	(285,665)	248,778	(2,608,797)	(2,645,684)
Depreciation & amortisation	-	1,041	18,696	19,737
Segment assets	672,335	2,347,245	3,824,888	6,844,468
Segment liabilities	196,667	80,003	5,821,207	6,097,877
Acquisition of capital assets	-	18,330	-	18,330

Although the consolidated entity's divisions are managed on a global basis they operate in the following geographical areas being Australia, USA, Singapore and Europe.

	Segment income		Segment assets	
	2016	Restated 2015	2016	2015
	\$	\$	\$	\$
Australia	224,808	539,504	3,369,590	2,986,683
USA	-	-	-	32,897
Singapore	-	-	3,824,888	3,824,888
	224,808	539,504	7,194,478	6,844,468

Segment revenue, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

32. Events after Balance Date

The following events occurred subsequent to 30 June 2016.

- On 1 July 2016 NuSep Holdings Ltd changed its name to Memphasys Limited.
- On 5 August 2016 the Company lodged the R&D tax claim for an amount of \$497,355 which was approved by AusIndustry on 12 August 2016.
- On 30 August 2016 the Company appointed John Pereira as a non-executive director.
- On 9 September the Company received a Letter of Demand from Manukan to repay the third party A-Bio debt plus costs that PrIME had paid to A-Bio on behalf of Memphasys under the Debt Guarantee Agreement.
- On 20 September 2016 the Company announced that:
 - it is raising immediate funding of \$940,000 through the issue of secured convertible notes,
 - it has terminated the mandate of former corporate advisors, Transocean Securities, and the consulting services of Dr Robert Gilmour, and
 - it has appointed Platinum Road Pty Ltd as the new corporate advisors.

33. Company Details

The registered office and principal place of business of the company is:
30 Richmond Road
Homebush, NSW 2140
Australia

Directors' Declaration

1. In the opinion of the directors of Memphasys Limited ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 17 to 57 and the Remuneration Report on pages 11 to 15 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 2016 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive chairman and finance director for the financial year ended 30 June 2016.
3. The directors draw attention to Note 2(a) to the consolidated financial statements which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Alison Coutts
Chairman

Sydney
27 September 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MEMPHASYS LIMITED
ABN 33 120 047 556**

Report on the Financial Report

We have audited the accompanying financial report of Memphasys Limited (formerly NuSep Holdings Ltd) and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Memphasys Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for Qualified Opinion

Memphasys Limited's investment in Series B preference shares of PrIME Biologics Pte Ltd, an entity incorporated in Singapore is carried at cost of \$3,824,888 on the statement of financial position as at 30 June 2016. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Memphasys Limited's investment in the Series B preference shares of PrIME Biologics Pte Ltd as at 30 June 2016 because of the call option agreement between Pulau Manukan Ventures Labuan Ltd and Memphasys Limited on this investment. Consequently, we were unable to determine whether any adjustments to the carrying amount is necessary.

Qualified Opinion

In our opinion:

- a) except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report of Memphasys Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3(a) Going Concern in the financial report which states that the consolidated entity incurred a net loss for the year ended 30 June 2016 of \$2,305,524, net cash outflows from operating activities of \$1,270,580 and investing activities of \$740,559 and a deficiency of working capital of \$4,823,382. In Note 3(a) also states that the consolidated entity is dependent on the raising of additional funds for working capital purposes, primarily to assist in the development of the next generation SpermSep device, and to fund litigation against PrIME Biologics Pte Limited and Palau Manukan Ventures Labuan Ltd in Singapore. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Memphasys Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



M A GODLEWSKI
Partner

27 September 2016



PITCHER PARTNERS
Sydney

Shareholder information

The shareholder information set out below was applicable as 19 September 2016.

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	173	44,344	0.008
1,001-5,000	207	427,730	0.075
5,001-10,000	65	486,706	0.086
10,001-100,000	246	10,608,334	1.864
100,001-9,999,999,999	230	557,666,890	97.968
Totals	921	569,234,004	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	Ordinary shares	
	Number Held	Percentage of shares issued
MR ANDREW ERNEST GOODALL	149,498,897	26.263%
TI RAKAU DEVELOPMENTS LIMITED	30,322,061	5.327%
AEMAGOOD PTY LTD	20,909,542	3.673%
MS ALISON COUTTS	16,931,608	2.974%
B ARTHUR PTY LTD	16,050,000	2.820%
ALMAMARNEY PTY LTD	15,391,653	2.704%
CGAM PTY LTD	15,000,000	2.635%
MR MARK EDWARD GELL	12,090,094	2.124%
KLI PTY LTD	11,450,000	2.011%
PREMIUM INVESTMENT HOLDINGS	10,892,019	1.913%
GELLOYCE PTY LTD	10,317,801	1.813%
MR THEE WOON GOH	10,182,691	1.789%
SYRAH TRUSTEE COMPANY LIMITED	9,500,000	1.669%
MR JOHN MANUSU	8,731,178	1.534%
CHANG SEOW YING ALISON	8,372,715	1.471%
SMC CAPITAL PTY LTD	7,700,000	1.353%
KORE CAPITAL PTY LTD	7,500,000	1.318%
LEE SWEE YIN	7,112,676	1.250%
HSBC CUSTODY NOMINEES	6,300,015	1.107%
BNP PARIBAS NOMS PTY LTD	6,072,189	1.067%
	380,325,139	66.813%

Shareholder information

C. Substantial Shareholders as at 19 September 2016

Ordinary shares

Holder Name	Number Held	Percentage
MR ANDREW ERNEST GOODALL	149,498,897	26.263%
TI RAKAU DEVELOPMENTS LIMITED	30,322,061	5.327%
AEMAGOOD PTY LTD <GOODALL FAMILY S/F A/C>	20,909,542	3.673%

D. Unquoted Equity Securities

	Number on Issue	Number of Holders
Memphasys Limited Directors, Employee and Consultants Option Plan	-	-
	-	-

E. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

- a) Ordinary Shares
On a show of hands, one vote for every member or proxy of a member present and entitled to vote. On a poll, every member shall have one vote for each fully paid share held.
- b) Options
No voting rights.

Corporate Directory

Memphasys Limited
ABN 33 120 047 556

Directors

Alison Coutts	Executive Chairman
Andrew Goodall	Non-Executive Director
Robert Gilmour	Non-Executive Director
John Pereira	Non-Executive Director

Company Secretary and Share Registry

Mark Studd
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, NSW 2000

Registered Office

30 Richmond Road
Homebush, NSW 2140
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Tel: 61 2 8415 7300
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Email: info@memphasys.com
Website: www.memphasys.com

Solicitors

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney, NSW 2000

Auditors

Pitcher Partners NSW Pty Limited
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Sydney, NSW 2000