

Hydrix announces Fully Underwritten Entitlement Offer and Placement to raise \$3 million

Key highlights:

- Capital raising of \$3 million, comprising a \$1 million Placement and a \$2 million Entitlement Offer
- Entitlement Offer fully underwritten by Henslow Pty Ltd
- Funds raised to pay down debt, increase financial strength and flexibility to navigate COVID-19 disruptions, grow Hydrix Services business and expedite the first sales and implants of AngelMed Guardian® System.

Hydrix Limited (ASX: **HYD**) (**Hydrix** or **Company**) announces a capital raising of \$3.0 million by way of a 1 for 3 pro-rata entitlement offer to raise \$2.0 million (**Entitlement Offer**) and a placement to raise \$1.0 million (**Placement**), at an issue price of 7.5 cents per share, with subscribers to receive one new 12 cents, 2 year option, for every 3 new shares subscribed.

Henslow Pty Ltd is Lead Manager to the Placement and Underwriter to the Entitlement Offer.

Use of funds

Hydrix is undertaking the Entitlement Offer and Placement to raise \$3 million. Funds raised will be used to:

- Pay down \$0.75 million of the \$4.0 million loan provided by Pure Asset Management Pty Ltd (**Lender**) under a facility agreement dated 15 November 2019 (**Facility Agreement**). Hydrix and the Lender have entered into a variation to the Facility Agreement, under which the Company will prepay part of the outstanding loan without incurring prepayment fees. As part of the variation, the Company has also negotiated a reduction in the nature and extent of its financial covenants under the Facility Agreement, thereby providing Hydrix with increased operational flexibility;
- Increase the Company's financial strength and flexibility to navigate COVID-19 disruptions, grow its Services business and invest in high potential client product innovations; and
- Expedite the first implants of the AngelMed Guardian® System – the world's first FDA-approved implantable heart attack alerting device – within its initial target markets of Singapore and Australia.

Gavin Coote, Executive Chairman of Hydrix said "We are delighted to announce this capital raising which supports the strategic growth and debt reduction objectives of the business.

"This Entitlement Offer and Placement enable existing shareholders to participate and to bring some new strategic investors onto the share register.

"In addition, the Company has undertaken cost reduction initiatives in line with the changing revenue outlook since the beginning of COVID-19 and renegotiated the Pure Asset Management facility to reduce debt and simplify covenant terms.

"These actions provide a stronger balance sheet and increase operating flexibility to drive the business for growth in FY21 and beyond," he said.

Details of the Entitlement Offer

Under the non-renounceable pro-rata entitlement offer of new fully paid ordinary shares in Hydrix (**Shares**), eligible shareholders are entitled to subscribe for 1 new Share for every 3 Shares held on the record date of 7.00pm (AEST) on Thursday, 9 July 2020 (**Record Date**), at an issue price of 7.5 cents per Share (**Entitlement Offer**).

For every 3 new Shares validly subscribed for under the Entitlement Offer, eligible shareholders will also receive 1 free option to acquire a Share, exercisable at 12 cents on or before 31 July 2022 (**Entitlement Option**).

The Entitlement Offer is only made to eligible shareholders of Hydrix, being shareholders who:

- (a) are registered as a holder of Shares as at the Record Date of 7.00pm (AEST) on 9 July 2020; and
- (b) have a registered address in Australia or New Zealand.

Under the Entitlement Offer, approximately 26,540,754 Shares and 8,846,918 Entitlement Options (subject to rounding for fractional entitlements), will be issued. The Company will raise approximately \$2 million (before costs) under the Entitlement Offer, which is fully underwritten by Henslow Pty Ltd (**Underwriter**).

Details of the underwriting agreement between Hydrix and the Underwriter (**Underwriting Agreement**) are set out in the Annexure to this announcement.

Details of the Placement

Hydrix has received binding commitments from sophisticated and professional investors to subscribe for 13.3 million new Shares, at the same issue price under the Entitlement Offer of 7.5 cents per Share (**Placement**). For every 3 new Shares subscribed for under the Placement, investors will receive 1 free option to acquire a Share, on the same terms as the Entitlement Options issued under the Entitlement Offer (**Placement Options**).

Completion of the Placement is subject to shareholder approval under ASX Listing Rule 7.1, which the Company intends to seek at a general meeting to be convened shortly. The Company will raise approximately \$1 million (before costs) under the Placement.

Details of the Underwriter Offer

Under the terms of the Underwriting Agreement, the Company has agreed to issue the following options, on the same terms as the Entitlement Options (**Underwriter Options**):

- (a) up to 8,846,918 Underwriter Options to sub-underwriters of the Entitlement Offer (who are not related parties of the Company), on the basis of one Underwriter Option for every 3 Shares sub-underwritten; and
- (b) 3 million Options to the Underwriter.

Related parties of the Company who participate as sub-underwriters to the Entitlement Offer will not be entitled to receive any Underwriter Options. Accordingly, the number of Underwriter Options required to be issued by the Company may be reduced, depending on the extent of any related party sub-underwriting.

Prospectus and quotation of new securities

The Company has today lodged a prospectus dated 6 July 2020 with ASIC in connection with the Entitlement Offer, Placement and Underwriter Offer (**Prospectus**).

The Company will apply to ASX for quotation of all new Shares and Options offered under the Prospectus.

Effect of Offers on Hydrix's capital structure

The effect of the Entitlement Offer, Underwriter Offer and Placement (together the **Offers**) on the Company's capital structure is set out below.

Particulars	Shares	Options	Performance Rights	Warrants
On issue prior to Offers	79,622,263	3,910,127	800,000	1
To be issued under Entitlement Offer	26,540,754	8,846,918	0	0
To be issued under Underwriter Offer	0	11,846,918	0	0
To be issued under Placement Offer	13,333,334	4,444,445	0	0
TOTAL	119,496,351	29,048,408	800,000	1

Indicative Timetable

An indicative timetable of the Offers is set out below. The Company reserves the right to amend the timetable, in consultation with the Underwriter, and subject to the ASX Listing Rules.

Event	Date (2020)
Company announces Offers under Listing Rule 3.10.3	Monday, 6 July
Lodgement of Prospectus with ASIC	Monday, 6 July
Lodgement of Prospectus and Appendix 3B with ASX	Monday, 6 July
Notice to Optionholders and Shareholders	Monday, 6 July
"Ex" Date (date from which Shares commence trading with the entitlement to participate in the Entitlement Offer)	Wednesday, 8 July
Record Date (date for determining Shareholder entitlements to participate in the Entitlement Offer)	7.00pm (AEST) on Thursday, 9 July
Prospectus and personalised Application Forms sent to Eligible Shareholders and Company announces that dispatch has been completed	Monday, 13 July
Opening Date of Offers	Monday, 13 July
Last date to extend Closing Date	Monday, 20 July
Closing Date	5.00pm (AEST) on Thursday, 23 July
Shares are quoted on a deferred settlement basis	Friday, 24 July
Announcement of results of Entitlement Offer	Monday, 27 July
Issue of New Securities under Entitlement Offer and Underwriter Offer, and lodgement of Appendix 2A applying for quotation of the New Securities	Thursday, 30 July
Shareholder meeting to seek approval under Listing Rule 7.1 for Placement Offer. Subject to approval, issue of New Securities under Placement Offer and lodgement of Appendix 2A applying for quotation of the New Securities.	TBC

-ENDS-

Authorisation: This announcement has been authorised by the Board of Hydrix Limited.

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About Hydrix Limited

Hydrix Limited (ASX: HYD) is a powerful product innovation company. We leverage our product innovation capability across multiple growth platforms. These platforms include Hydrix Services design and engineering to create products which transform markets; Hydrix Ventures to pick winning investments in high potential innovative products; and Hydrix Medical to create new product revenue streams bringing cardiovascular technologies to market.

ANNEXURE
Summary of Underwriting Agreement

Pursuant to an agreement between Henslow Pty Ltd (**Underwriter**) and the Company dated 6 July 2020 (**Underwriting Agreement**), the Underwriter has agreed to act as lead manager and to fully underwrite the Entitlement Offer.

The key terms of the Underwriting Agreement are set out below.

Fees and expenses

On the “**Settlement Date**” under the Entitlement Offer, which is expected to occur on 29 July 2020, the Company must:

- (i) pay the Underwriter:
 - (A) a management and selling fee equal to 2.0% of the funds raised under the Entitlement Offer (**Offer Proceeds**);
 - (B) an underwriting fee equal to 2.0% of the Offer Proceeds; and
 - (C) an arranging fee equal to 2.0% of the aggregate dollar value of pre-commitments received directly by the Underwriter (including commitments to subscribe for Entitlements and sub-underwriting commitments in respect of the shortfall) in respect of which the Underwriter agrees to pay a fee to the committing entity; it being acknowledged that an arranging fee will not be payable on commitments received from the Company’s related parties, if those related parties request not to receive the arranging fee in respect of their commitments;
- (ii) issue to the Underwriter (or its nominee), 3,000,000 Underwriter Options in return for total consideration of \$50 from the Underwriter; and
- (iii) at the direction of the Underwriter, issue up to 8,846,918 Underwriter Options to sub-underwriters (other than related parties of the Company) that meet their sub-underwriting commitments, on the basis of one Underwriter Option for every three Entitlement Shares that a sub-underwriter commits to sub-underwrite.

Termination events not subject to materiality

The Underwriter may terminate the Underwriting Agreement (without any cost or liability to the Underwriter) by notice to the Company, if any of the events set out below occur before the allotment date:

- (i) the Company is removed from the official list of the ASX;
- (ii) the Company or any of its subsidiaries becomes or is likely to become insolvent;
- (iii) the Company withdraws the Entitlement Offer;
- (iv) it becomes illegal for the Underwriter to satisfy a material obligation of this agreement, or to market, promote or settle the Entitlement Offer;
- (v) the Company refunds all Application Monies or offers withdrawal rights to Applicants;
- (vi) there is a change in chairman, managing director or chief financial officer of the Company, or a prospective change is announced;

- (vii) any person (other than the Underwriter) whose consent to the issue of this Prospectus is required under the Corporations Act, does not provide that consent;
- (viii) a director, chief executive officer or chief financial officer of the Company is charged with an indictable offence or fraudulent conduct;
- (ix) a director is disqualified under the Corporations Act from managing a corporation;
- (x) a regulatory body commences any public action against the Company or its officers, or publicly announces an intention to do so;
- (xi) the Company or any of its directors or officers engages in any fraudulent, misleading or deceptive conduct or activity in connection with the Entitlement Offer;
- (xii) the Company is unable to issue or prevented from issuing Entitlement Shares or Entitlement Options;
- (xiii) the Company lodges a supplementary prospectus without the prior written consent of the Underwriter, or the Underwriter forms the view (acting reasonably) that a supplementary prospectus must be lodged with ASIC under the Corporations Act;
- (xiv) the Company's capital structure is altered without the consent of the Underwriter;
- (xv) the Facility Amendment Deed is terminated, breached or varied, in any material respect, or a covenant or condition in the Facility Amendment Deed falling due before the Settlement Date is not satisfied;
- (xvi) the S&P/ASX 300 Index closes 10.0% or more below its level on the business day before the date the Underwriting Agreement was executed on (i) two consecutive business days before the Settlement Date or (ii) the business day prior to the Settlement Date,
- (xvii) the price of the Company's Shares closes on ASX at less than 7.5 cents per Share on (i) any three or more consecutive business days before the Settlement Date or (ii) the business day prior to the Settlement Date.
- (xviii) ASIC:
 - (A) applies for an order under Part 9.5 of the Corporations Act;
 - (B) holds, or gives notice of intention to hold, a hearing, inquiry or investigation; or
 - (C) prosecutes or gives notice of an intention to prosecute the Company or any of its officers, employees or agents,

in relation to the Entitlement Offer, the issue of the Offer Shares or Options or any the documents issued or published by or on behalf of the Company in respect of or relating to the Entitlement Offer on ASX (each an **Information Document**) under the Corporations Act or the ASIC Act;
- (xix) there is an application to a governmental agency (including the Takeovers Panel) for an order, declaration (including of unacceptable circumstances) or other remedy in connection with the Entitlement Offer (or any part of it);
- (xx) any material licence, lease, permit, concession, tenement, authorisation or concession of the Company or its subsidiaries is likely to become invalid, revoked or unenforceable or is breached or not complied with in a material respect;
- (xxi) ASIC makes a determination under section 713(6) of the Corporations Act;

- (xxii) A certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished when required, or is untrue, incorrect or misleading or deceptive in any material respect (including by omission);
- (xxiii) unconditional approval by ASX for official quotation of the Entitlement Shares is refused or not granted by the time required to conduct the Entitlement Offer in accordance with the Indicative Timetable;
- (xxiv) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to the quotation of the Options on ASX or for the Options to be traded through CHESS (on a deferred settlement basis) on or before the Allotment Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (xxv) the Underwriter forms the view (acting reasonably) that the requirements for quotation of the Options under ASX Listing Rule 2.5 will not be met;
- (xxvi) a person other than the Underwriter gives a notice to the Company under section 730 of the Corporations Act that is, in the reasonable opinion of the Underwriter, materially adverse from the point of view of an investor;
- (xxvii) any event specified in the Indicative Timetable is delayed other than where due to a variation consented to by the Underwriter;
- (xxviii) any statement in an Information Document is or becomes false, misleading or deceptive or likely to mislead or deceive, does not contain all information required to comply with all applicable laws or is withdrawn;
- (xxix) any expression of belief, expectation or intention, or statement relating to future matters in an Information Document is or becomes incapable of being met or unlikely to be met in the projected timeframe.

Termination events subject to materiality

The Underwriter may terminate the Underwriting Agreement by notice to the Company at any time up until the Settlement Date, if any of the events set out below occur and the Underwriter believes, acting reasonably, that the occurrence of the event has or is likely to have a material adverse effect on the Company, the marketability, success or outcome of the Entitlement Offer, a decision of an investor to invest in Shares, or could reasonably be expected to give rise to a contravention by, or a liability of, the Underwriter under any applicable law or regulation.

- (i) the Company commits a breach of an applicable law, or has failed to comply with its continuous disclosure obligations or its Constitution.
- (ii) the Company fails to perform or observe any of its obligations under the Underwriting Agreement;
- (iii) any of the documents to be provided during the due diligence process is withdrawn, or varied without the prior written consent of the Underwriter;
- (iv) information provided by or on behalf of the Company to the Underwriter during the due diligence process, the Information Documents or the Entitlement Offer, is false, misleading or deceptive or likely to mislead or deceive (including by omission);
- (v) a representation or warranty made or given by the Company under the Underwriting Agreement is breached or becomes, untrue or incorrect or misleading or deceptive;

- (vi) legal proceedings against the Company, any one of its subsidiaries, or against any director of the Company or a subsidiary (acting in that capacity) is commenced or any regulatory body commences any enquiry or public action against a subsidiary;
- (vii) a new circumstance that is adverse to investors in New Shares and which would have been required by the Corporations Act to be included in this Prospectus had it arisen before this Prospectus was given to ASIC;
- (viii) an event occurs that is likely to give rise to an adverse change in the business, financial position, performance, or prospects of the Company or its subsidiaries (in so far as the position in relation to any entity in the group affects the overall position of the Company) including as a direct or indirect result of the novel coronavirus;
- (ix) the Company issues or varies an Information Document without the prior approval of the Underwriter;
- (x) an new law or regulation is introduced or will be introduced in Australia which will adversely affect the prospects of the Company;
- (xi) any of the following occurs:
 - (A) a general moratorium on commercial banking activities in Australia, New Zealand, the United States, Canada, the United Kingdom, China, Hong Kong, Singapore, Japan or a member state of the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (A) trading in all securities quoted or listed on the ASX, the New York Stock Exchange, the Toronto Stock Exchange, the Hong Kong Stock Exchange, the SGX, the Tokyo Stock Exchange, Euronext, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange is suspended or limited in a material respect; or
 - (B) the occurrence of any other adverse change or disruption to financial, political or economic conditions, currency exchange rates or controls or financial markets in Australia, New Zealand, the United States, Canada, the United Kingdom, China, Hong Kong, Singapore, Japan or a member state of the European Union or any change or development involving a prospective adverse change in any of those conditions or markets;
- (xii) major hostilities not existing at the date of this agreement commence or a major escalation in existing hostilities occurs involving any one or more of Australia, New Zealand, the United States, Canada, the United Kingdom, China, Hong Kong, Singapore, Japan or a member state of the European Union or a national emergency is declared by any of those countries;
- (xiii) an event specified in paragraphs (a) to (h) of subsection 652C(1) of the Corporations Act as if references to 'the target' were replaced by references to 'the Company' occurs during the Entitlement Offer period, other than:
 - (A) as contemplated by the Underwriting Agreement or the Prospectus;
 - (B) the Company issuing securities pursuant to:

- (1) the exercise or conversion of any security on issue as at the date of the Underwriting Agreement;
 - (2) any employee incentive scheme in operation as at the date of the Underwriting Agreement; or
 - (3) any distribution reinvestment plan; or
- (C) as permitted in writing by the Underwriter.

Representations, warranties and undertakings

The Underwriting Agreement contains various representations, warranties and undertakings between the parties in respect of their powers and capacities, their conduct, Information Documents issued by the Company, the information provided (including financial information), insolvency, the conduct of the Entitlement Offer, litigation and insurance.

Indemnity

The Company also agrees to keep the Underwriter and certain of its affiliated parties indemnified from losses suffered in connection with the Entitlement Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness and gross negligence).