

31 December 2019 First Half Update & Appendix 4C⁽¹⁾

First half 2020 Highlights:

- Operating revenues grew by 43.6% to \$8.19m (vs *pcp*);
- Cash operating loss reduced by 84.3% to \$0.33m (vs *pcp*);
- Receipts from customers increased by 81.6% to \$9.50m (vs *pcp*);
- Private Placement in November 2019 raised \$2.6m to support business growth;
- Secured a \$5.0m debt facility with Pure Asset Management, to retire \$3.0m shareholder loans; and
- Entered into agreement to distribute world first FDA approved implantable heart attack alert system.

Hydrix Limited ('**Hydrix**' or 'the **Company**') (ASX: **HYD**) today released its Appendix 4C for the three months ended 31 December 2019 (**2Q20**) and the following business update for the first half 2020 (**1H20**).

Financial Update

Hydrix Executive Chairman, Gavin Coote, said: *"The first half represented a strong period of growth and business performance compared to the prior year first half. Hydrix increased operating revenues by 43.9%, and improved gross profit margins and reduced operating costs.*

"I am pleased to report sustained growth in the group's core design and services business, which has translated into a strong financial performance. This first half performance supports the Company's target of delivering a full year cash operating profit ⁽²⁾."

"The 1H20 \$0.33 million cash operating loss ⁽²⁾ represents a seven-fold reduction over the 1H19 \$2.1 million cash operating loss," he said.

During the half, the Company successfully raised \$7.1 million in capital, strengthening the balance sheet in order to underpin its growth agenda. A total of 8.6 million fully paid ordinary shares were placed, raising a total of \$2.6 million. A 4-year, \$5.0 million debt facility was secured with Pure Asset Management of which, \$4.0 million drawn down to retire \$3.0 million of shareholder loans and \$1.0 million to strengthen working capital. At the same time the Company extended the maturity on the last remaining shareholder loan of \$1.75 million until 31 December 2020.

The primary ongoing business activities in the first half were design, engineering and regulatory services provided to clients in the medical technology, mining, industrial and defence industry sectors. In addition to these business activities, the Company incurred costs of approximately \$0.36 million relating to its 'Buy, Build, Invest' growth strategy. These costs relate to the development of the cardiac products business, primarily for planning of regulatory approvals, field clinical engineering, and marketing in support of establishing distribution of the Angel Medical Inc., Guardian System product, and transaction-related costs.

The leadership team was strengthened with several senior management appointments to lead an increased engineering and regulatory workforce, now totalling 80 employees, and the expanded strategy. The Board also established a Medical Advisory Board to support both the Company's client services business and its strategic growth initiatives.

Outlook Update

The Company delivered a strong 1H performance required to achieve the three milestones set for FY20:

- To exceed revenue growth of 15%;
- To deliver a full year cash operating profit ⁽²⁾; and
- To implement one initiative under the 'Buy, Build, Invest' strategy.

Mr Coote added: "With regard to the 'buy, build, invest' growth strategy, Hydrix has continued to focus on growing its recurring revenue streams and seeking opportunities to capture more of the value created by its world class design and engineering services expertise.

"As noted, we entered into an agreement with AngelMed to acquire the exclusive distribution rights for the Guardian System in eight Asia region countries. This opportunity reinforces the Company's strategic position in cardiac medical technologies and is expected to become an important driver of future value for shareholders."

We have commenced preparations for local regulatory approval across the region, seeking to generate revenues in advance of full regulatory approval and we anticipate beginning paid 'sponsored' implants in Singapore as soon as the current quarter.

The Company will lodge its Appendix 4D and Half Yearly Report with the ASX on or before 28 February 2020.

(1) All numbers are unaudited

(2) Cash operating profit (or loss) is Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and Share-based payments for a full year, before costs associated with the Company's Buy, Build, Invest strategy which may vary on a quarterly basis. Impact from adoption of new lease accounting rules are ignored.

-ENDS-

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

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About Hydrix Limited

Hydrix Limited (ASX: HYD) is a world class product design and engineering company, specializing in complex, regulated and safety-critical projects. We partner with clients to create market leading technologies in medtech, mining, industrial and safety critical applications.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	4,261	9,502
1.2	Payments for		
	(a) research and development	-	(4)
	(b) product manufacturing and operating costs	(440)	(958)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(3,453)	(6,573)
	(f) administration and corporate costs	(1,034)	(2,128)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(76)	(102)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material) - Transaction costs	(235)	(426)
1.9	Net cash from / (used in) operating activities	(977)	(689)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(18)	(41)
	(b) businesses (see item 10)	-	-

	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(18)	(41)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,568	2,568
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(190)	(190)
3.5	Proceeds from borrowings	4,000	4,500
3.6	Repayment of borrowings	(3,000)	(3,000)
3.7	Transaction costs related to loans and borrowings	(219)	(247)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,159	3,631
4.	Net increase / (decrease) in cash and cash equivalents for the period	2,164	2,901
4.1	Cash and cash equivalents at beginning of quarter/year to date	972	235
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(977)	(689)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,159	3,631

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,136	3,136

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,136	972
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,136	972

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

177

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,750	5,750
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In addition to the \$3.14 million cash on hand as at 31 December 2019, the Company has a working capital loan facility in place for \$1.00 million with PURE Asset Management Pty Ltd.

The Company has the following facilities in place:

1. An unsecured \$1.75 million loan facility provided by a major shareholder with a maturity date of 31 December 2020 and paying interest at 10% per annum
2. Two separate secured loan facilities provided by PURE Asset Management Pty Ltd:
 - a) A Refinance Loan Facility of \$4.00 million which was used to repay \$3.00 million in shareholder loans (on equal or better terms) and provide growth capital; and
 - b) A Working Capital Loan Facility of \$1.00 million which remains undrawn at 31 January 2020.
3. In addition, under the Company's August 2018 Private Placement, shareholders are entitled to exercise an option to purchase shares at a strike price of \$0.80 on the basis of one option for every two shares. If 100% of the options are exercised, a further 3.125 million shares would be issued, raising \$2.5 million in capital for the Company.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(504)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(3,110)
9.6 Administration and corporate costs	(1,064)
9.7 Other (transaction costs and interest payments)	(468)
9.8 Total estimated cash outflows	(5,146)

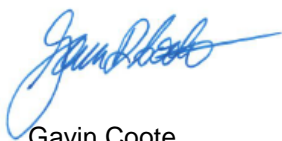
The estimated cash outflows set out above combine both Hydrix Limited and its controlled entities. Included in Other above is an interest payment of \$0.2 million on a shareholder loan covering an eighteen-month period.

The estimated cash inflows for the next quarter from income generated by the combined businesses and not reflected in the above estimated cash outflows is \$4.2 million.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

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



Gavin Coote
Executive Chairman
31 January 2020

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.