

Hydrix Limited
ACN 060 369 048



Prospectus

This Prospectus is being issued for the following Offers:

1. **Entitlement Offer:** a pro-rata non-renounceable entitlement offer to Eligible Shareholders to raise approximately \$2 million (before costs), on the basis of 1 Entitlement Share for every 3 Shares held on the Record Date, together with 1 free Entitlement Option (exercisable at 12 cents and expiring on 31 July 2022) for every 3 Entitlement Shares issued.
2. **Underwriter Offer:** an offer of up to approximately 11.85 million Underwriter Options (exercisable at 12 cents and expiring on 31 July 2022) to the underwriter and sub-underwriters of the Entitlement Offer.
3. **Placement Offer:** an offer of 13.33 million Placement Shares to certain sophisticated investors, together with 1 free Placement Option (exercisable at 12 cents and expiring on 31 July 2022) for every 3 Placement Shares issued, to raise \$1 million (before costs).

LEAD MANAGER AND UNDERWRITER

Henslow Pty Ltd
ABN 38 605 393 137
AFSL 483168

CLOSING DATE: 5.00pm AEST on Thursday, 23 July 2020

IMPORTANT NOTICE

This Prospectus is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth). This Prospectus does not, itself, contain all the information that is generally required to be set out in a document of this type, but refers to other documents, the information of which is deemed to be incorporated into this Prospectus. This Prospectus and any such incorporated documents should be read in their entirety before deciding whether to apply for New Securities. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay. The New Securities offered by this Prospectus should be considered speculative.

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Important Information

This Prospectus is dated 6 July 2020 and was lodged with ASIC on that date. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). The Company will apply for Official Quotation by ASX of the New Securities offered by this Prospectus.

A copy of this Prospectus is available for inspection at the Company's registered office 30-32 Compark Circuit, Mulgrave, Victoria, during normal business hours. The Prospectus will also be made available in electronic form on the Company's website at www.hydrix.com. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Sections 1.20 and 9.3).

Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's registered office by contacting the Company. The Offers contemplated by this Prospectus are only available in electronic form to persons receiving an electronic version of this Prospectus within Australia.

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 7 for details relating to investment risks.

Applications for Securities will only be accepted on an Application Form attached to or provided by the Company with a copy of this Prospectus either in paper or electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus. If the application is by BPAY[®] there is no need to return the original Application Form.

No person is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in an Offer. This document does not take into account the investment objectives, financial or taxation, or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 7.

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

Definitions of certain terms used in this Prospectus are contained in Section 11 (Glossary). All references to currency are to Australian dollars and all references to time are to the time in Melbourne, Victoria, Australia, unless otherwise indicated.

Corporate Directory

Directors	<p>Mr Gavin Coote (Executive Chairman)</p> <p>Ms Julie King (Non-Executive Director)</p> <p>Mr Paul Wright (Non-Executive Director)</p> <p>Ms Joanne Bryant (Non-Executive Director)</p>
Company Secretary	Ms Alyn Tai
Company Details	<p>Registered Office and Principal Place of Business Address</p> <p>30-32 Compark Circuit Mulgrave VIC 3170</p> <p>Telephone +61 3 9550 8100</p> <p>Website www.hydrix.com</p> <p>Email info@hydrix.com</p>
Stock Exchange Listing	<p>Australian Securities Exchange</p> <p>ASX Code: HYD</p>
Share Registry*	<p>Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000</p> <p>Telephone: (02) 9290 9600</p>
Solicitors	<p>Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000</p>
Lead Manager and Underwriter	<p>Henslow Pty Ltd Level 7, 333 Collins Street Melbourne VIC 3000</p>
Auditors*	<p>Grant Thornton Audit Pty Ltd Collins Square, Tower 5, 727 Collins Street Melbourne VIC 3008</p>

**These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.*

Indicative Timetable

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.	To be advised by the Company

**The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. As such, the date the Securities offered under this Prospectus are expected to be issued and commence trading on ASX may vary.*

Letter from the Executive Chairman

Dear Shareholder,

On behalf of my fellow Directors, I am pleased to invite you to participate in a non-renounceable pro-rata Entitlement Offer of new Shares, which will entitle Eligible Shareholders of Hydrix to subscribe for 1 Entitlement Share (at an issue price of \$0.075) for every 3 Shares held on the Record Date. For every 3 Entitlement Shares validly subscribed for, you will also receive 1 free Entitlement Option, exercisable at 12 cents on or before 31 July 2022. The Company intends to apply to the ASX for quotation of the Entitlement Shares and Entitlement Options.

The Entitlement Offer is fully underwritten, which means that upon completion of the Entitlement Offer, the Company will (subject to the terms of the Underwriting Agreement described in Section 9.4(a)) raise the full Entitlement Offer amount of approximately \$2 million (before costs), through the issue of approximately 26.5 million new Shares and 8.85 million Entitlement Options.

This Prospectus has also been issued in connection with the Placement. As announced to the ASX on 6 July 2020, the Company has received binding commitments from sophisticated investors to subscribe for 13.33 million new Shares, at the same Entitlement Offer issue price of \$0.075 per Share, to raise an additional \$1 million (before costs). The Company will issue Placement Options to the Placement subscribers, on the same terms as the Entitlement Options, and on the basis of 1 Placement Option for every 3 Placement Shares subscribed for under the Placement.

Completion of the Placement is subject to Shareholder approval under Listing Rule 7.1, which the Company intends to seek at a general meeting to be convened shortly.

This Prospectus has also been issued for the offer of up to 11.85 million Underwriter Options to the Underwriter and sub-underwriters of the Entitlement Offer. These options will have the same terms as the Entitlement Options issued under the Entitlement Offer.

Hydrix is undertaking the Entitlement Offer and Placement to raise capital, with proceeds being used for three purposes:

- Pay down \$0.75 million of the \$4.0 million loan provided by Pure Asset Management Pty Ltd, the Lender under the Facility Agreement. As detailed in Section 9.4(b), the Company and the Lender have agreed to vary the Facility Agreement, to enable the Company to 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.

The Prospectus contains detailed information about the Entitlement Offer, the Underwriter Offer, the Placement Offer, the Company and its activities. Participation in the Offers and investment in the Company is subject to various risk factors. The details of the Offers are contained in the Prospectus at Section 1 and the risk factors are detailed in Section 7.

The Offers are made to Eligible Applicants, who will be sent an Application Form with the Prospectus. To accept the Offer(s) you will need to submit an Application in accordance with the instructions contained in this Prospectus and Application Form.

On behalf of the Directors, I thank you for your ongoing support.

Yours sincerely,



Gavin Coote
Executive Chairman
6 July 2020

Investment Overview

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Securities.

Question	Response	Reference
What is being offered?	<p>This Prospectus contains a number of offers of Securities, including:</p> <ul style="list-style-type: none"> a Entitlement Offer of Entitlement Shares and Entitlement Options to Eligible Shareholders; an Underwriter Offer of Underwriter Options to the Underwriter and sub-underwriters; and a Placement Offer of Placement Shares and Placement Options to sophisticated investors. 	Section 1
Entitlement Offer		
What is the Entitlement Offer?	The Entitlement Offer is a pro-rata non- renounceable entitlement offer to Eligible Shareholders, on the basis of 1 Entitlement Share for every 3 Shares held on the Record Date, together with 1 free Entitlement Option to acquire a Share (at an exercise price of 12 cents, expiring 31 July 2022) for every 3 Entitlement Shares issued.	Section 1.1
Am I eligible to participate in the Entitlement Offer?	<p>An Eligible Shareholder, being a person who is eligible to participate in the Entitlement Offer, is a person registered as the holder of Shares on the Record Date, whose registered address is in Australia or New Zealand.</p> <p>The Entitlement Offer is not being extended to any shareholders whose registered address is outside Australia or New Zealand.</p>	Section 1.15
How many new securities will be issued under the Entitlement Offer?	<p>Under the Entitlement Offer, approximately 26,540,754 Entitlement Shares and 8,846,918 Entitlement Options (subject to rounding for fractional entitlements), will be issued.</p> <p>This assumes that neither the Warrant nor any existing Options on issue are exercised prior to the Record Date.</p>	Section 1.1
What is the price payable per Entitlement Share?	<p>\$0.075 per Entitlement Share.</p> <p>You do not need to pay any additional amount for the Entitlement Options, as they are issued as free attaching Options.</p>	Section 1.1
What are the Entitlement Options?	The Entitlement Options will be issued to the subscribers of Entitlement Shares under the Entitlement Offer, on the basis of one Entitlement Option for every three Entitlement Shares issued for under the Entitlement Offer. As with the Placement Options and Underwriter Options, each Entitlement Option has an exercise price of 12 cents, and an expiry date of 31 July 2022.	Sections 1.1 and 8.2

Question	Response	Reference
Is the Entitlement Offer underwritten?	Yes, the Entitlement Offer is fully underwritten by Henslow Pty Ltd.	Sections 1.8 and 9.4(a)
How much will be raised through the fully underwritten Entitlement Offer?	<p>Approximately \$2 million (before costs), through the issue of approximately 26,540,754 Entitlement Shares.</p> <p>No additional proceeds will be raised through the issue of Entitlement Options. However, it is possible that the Company may raise an additional \$1.06 million if all 8,846,918 Entitlement Options are exercised.</p>	Section 1.1
How will the proceeds of the Entitlement Offer be used?	The funds raised under the Entitlement Offer and Placement Offer will be used to pay for expenses of the Offers, and to reduce the Company's debt outstanding to the Lender under the Facility Agreement. The balance of funds will be used for the Company's working capital requirements and growth objectives.	Sections 1.5 and 9.4(b)
How do I apply under the Entitlement Offer?	<p>There are two ways you can apply for your Entitlement if you are an Eligible Shareholder:</p> <ul style="list-style-type: none"> ▪ paying your Application Monies via BPAY®, in accordance with the instructions on your personalised Application Form which accompanies this Prospectus, by the Closing Date; or ▪ submitting your completed Application Form and sending it to the Share Registry together with a cheque, bank draft or money order for your Application Monies, so that it is received by no later than the Closing Date. <p>Due to delays to postal services caused by the COVID-19 pandemic, the Company encourages you to pay your Application Monies by BPAY®.</p>	Section 2
Can I sell my Entitlements under the Entitlement Offer?	No. The rights to Securities under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your Entitlement to any other party. If you do not take up your Entitlement by the Closing Date, your Entitlement will lapse.	Section 1.1
Can I apply for additional Shares in excess of my Entitlement?	Yes. Eligible Shareholders who subscribe for their full Entitlement may apply for Additional New Shares at the same issue price of \$0.075 under the Shortfall Facility described in Section 1.9. To do this, Eligible Shareholders should follow the instructions on their personalised Application Form which accompanies this Prospectus.	Sections 1.9 and 2.4
How will the Shortfall (if any) under the Entitlement Offer be allocated?	In addition to the underwriting, the Company proposes to adopt a dispersion strategy for dealing with Shortfall by way of a Shortfall Facility for Eligible Shareholders to apply for Additional New Shares in excess of their Entitlements not taken up under the Entitlement Offer.	Sections 1.8 and 1.9

Question	Response	Reference
	<p>However, you should note that the Underwriter has an obligation to subscribe or procure applications for any Shortfall and the Company may, in consultation with the Underwriter, give priority to the Underwriter and sub-underwriters who have made that commitment in allocating any Shortfall. If you apply for but do not receive any Additional New Shares, surplus Application Monies will be refunded to you without interest.</p>	
Underwriter Offer		
What is the Underwriter Offer?	<p>The Underwriter Offer is an offer of Underwriter Options to the Underwriter and sub-underwriters of the Entitlement Offer, as part consideration for them underwriting the Entitlement Offer, as follows:</p> <ul style="list-style-type: none"> ▪ 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 Entitlement Shares sub-underwritten; and ▪ 3 million Underwriter Options to the Underwriter. <p>As with the Entitlement Options and Placement Options, each Underwriter Option has an exercise price of 12 cents, and expiry date of 31 July 2022.</p> <p>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.</p>	Sections 1.2 and 8.2
Who is eligible to participate in the Underwriter Offer?	Only the Underwriter and sub-underwriters (who are not related parties of the Company) are entitled to participate in the Underwriter Offer.	Section 1.2
When will the Underwriter Options be issued?	<p>The Company intends to issue the Underwriter Options on the same day as the date of issue of New Securities under the Entitlement Offer, under and subject to the Company's available capacity (existing at the date of issue) under Listing Rule 7.1.</p> <p>To the extent required, the Company will seek Shareholder approval under Listing Rule 7.1 for the issue of any balance of Underwriter Options, in which event the issue of those Underwriter Options will occur as soon as practicable after Shareholder approval is obtained.</p>	Section 1.2
Will any funds be raised from the Underwriter Offer?	Nominal proceeds of \$50 will be raised through the issue of Underwriter Options. However, it is possible that the Company may raise an additional \$1.42 million if all 11,846,918 Underwriter Options are exercised.	Section 1.2

Question	Response	Reference
Placement Offer		
What is the Placement Offer?	The Placement is an offer to certain sophisticated investors, with subscribers receiving one Placement Option for every three Placement Shares subscribed for.	Section 1.3
What is the price payable per Share under the Placement?	\$0.075 per Placement Share (which is the same price under the Entitlement Offer).	Section 1.3
How many new securities will be issued under the Placement?	Subject to Shareholder approval, 13,333,334 Placement Shares and 4,444,445 Placement Options will be issued (subject to rounding), to raise approximately \$1 million (before costs).	Section 1.3
What are the Placement Options?	<p>The Placement Options will be issued to the subscribers of Placement Shares under the Placement. Subscribers under the Placement will receive one Placement Option for every three Placement Shares subscribed for under the Placement.</p> <p>As with the Entitlement Options and Underwriter Options, each Placement Option has an exercise price of 12 cents, and expiry date of 31 July 2022.</p>	Sections 1.3 and 8.2
How much will be raised through the Placement?	<p>Subject to Shareholder approval, \$1 million (before costs), through the issue of 13,333,334 Placement Shares.</p> <p>No additional proceeds will be raised through the issue of Placement Options. However, it is possible that the Company may raise an additional \$0.53 million if all 4,444,445 Placement Options are exercised.</p>	Section 1.3
Who is eligible to participate in the Placement?	Only eligible investors invited by the Company and the Underwriter are entitled to participate in the Placement.	Section 1.3
When will the Placement occur?	<p>The subscribers have already entered into binding commitments to participate in the Placement.</p> <p>Completion of the Placement is subject to Shareholder approval under Listing Rule 7.1, which the Company intends to seek at a general meeting to be convened shortly. The issue of Placement Shares and Placement Options is intended to occur as soon as practicable after Shareholder approval is obtained.</p>	Section 1.3
What are the proceeds of the Placement to be used for?	The proceeds of the Placement Offer and Entitlement Offer will be used to pay for expenses of the Offers, and to reduce the Company's debt outstanding to the Lender under the Facility Agreement. The balance of funds will be used for the Company's working capital requirements and growth objectives.	Section 1.5

Question	Response	Reference
Control effect of Offers		
What will be the effect of the Offers on the control of the Company?	<p>The effect of the Offers on the control of Hydrix will depend upon a number of factors including:</p> <ul style="list-style-type: none"> the level of Shareholder participation in the Entitlement component of the Entitlement Offer and the identity of Shareholders who participate in the Entitlement component of the Entitlement Offer; if applicable, the level of Shareholder participation in the Shortfall Facility and the identity of Shareholders who participate in the Shortfall Facility; the extent to which the underwriting is called upon; and the level of dispersion of remaining Shortfall (if any) to the Underwriter and sub-underwriters. 	Section 6.4
Key risks		
What are the key risks of an investment in the Company?	<p>There are a number of key specific risks for an investment in the Company, including with respect to the following:</p> <ul style="list-style-type: none"> Ability to win and retain key customers; Distribution of AngelMed Guardian® System; Regulated industries; Competition; Reliance on key personnel; Reliance on systems; Intellectual property rights; International growth risks; Venture risks; and Debt and covenants. <p>There are also a number of general risks associated with an investment in the Company, such as:</p> <ul style="list-style-type: none"> Economic risks; Market conditions; COVID-19 pandemic; Liquidity risk; Force majeure; Taxation and government regulations; Litigation risk; and Insurance risk. 	Section 7
Further information		
How can further information be obtained?	For further information, you can contact the Share Registry on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia; or the Company Secretary on Alyn.Tai@hydrix.com.	Section 9.16

1. Details of the Offers

1.1 Details of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders are being offered the opportunity to subscribe for 1 Entitlement Share for every 3 existing Shares held as at the Record Date of 7.00pm (AEST) on Thursday 9 July 2020, at the offer price of \$0.075 per Entitlement Share.

For every 3 Entitlement Shares subscribed for and issued under the Entitlement Offer, Applicants will also receive 1 Entitlement Option.

The Entitlement Offer, which is fully underwritten by Henslow Pty Ltd, is expected to raise approximately \$2 million (before costs).

As at the date of this Prospectus, the Company has 79,622,263 Shares on issue, as well as the following unquoted Securities:

- (a) 3,910,127 unlisted Options (refer to Section 6.1(a) for further details);
- (b) 800,000 Performance Rights (refer to Section 6.1(b) for further details); and
- (c) 1 Warrant held by the Lender, exercisable into 8,000,000 Shares (refer to Sections 6.1(c) and 9.4(b) for further details).

Optionholders who exercise their Options into Shares after the date of this Prospectus but prior to the Record Date are entitled to participate in the Entitlement Offer. The same applies for the Lender, should it choose to exercise the Warrant into Shares prior to the Record Date (refer to Section 9.4(b) for further information on proposed amendments to the terms of the Warrant).

The market price of Shares at the date of this Prospectus is such that it is unlikely that any of the existing Options (which are exercisable at \$0.29 and \$0.80) will be exercised before the Record Date.

On the basis that no existing Options or the Warrant are exercised prior to the Record Date, the Entitlement Offer is for a maximum of 26,540,754 Entitlement Shares and 8,846,918 Entitlement Options (subject to rounding for fractional entitlements), to raise approximately \$2 million (before costs).

Eligibility to participate

As explained in Section 1.15, the Entitlement Offer is only being made to Eligible Shareholders, being persons registered as the holder of Shares on the Record Date, whose registered address is in Australia or New Zealand.

Your Entitlement

The number of Entitlement Shares and Entitlement Options to which you are entitled as an Eligible Shareholder is shown on the accompanying personalised Entitlement Offer Application Form. The Application Form also allows you to apply for New Shares in addition to your Entitlement (refer to Section 2.4 for instructions on how to do this).

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of an Entitlement Share or Entitlement Option, such fraction will be rounded up to the nearest whole Share or Option.

The rights to Securities under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your Entitlement to any other party. If you do not take up your Entitlement by the Closing Date, your Entitlement will lapse.

Rights attaching to Entitlement Shares and Entitlement Options

Entitlement Shares issued under the Entitlement Offer will be issued as fully paid ordinary shares and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to the Entitlement Shares is set out in Section 8.1.

The Entitlement Options issued under the Entitlement Offer will be exercisable at 12 cents each, on or before 31 July 2022. A summary of the rights and liabilities attaching to the Entitlement Options is set out in Section 8.2.

The Company will apply to ASX for Official Quotation of the Entitlement Shares and Entitlement Options within seven days after the date of this Prospectus.

Underwriting

The Entitlement Offer is fully underwritten by Henslow Pty Ltd. Refer to Section 9.4(a) for further details of the terms of the Underwriting Agreement.

1.2 Details of the Underwriter Offer

Under the terms of the Underwriting Agreement, as part consideration for the underwriting, the Company has agreed to issue the following Options:

- (a) up to 8,846,918 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,
- (collectively the **Underwriter Options**).

Where the determination of the entitlement of a sub-underwriter to Underwriter Options results in a fraction of an Option, such fraction will be rounded up to the nearest whole Option.

As with the Entitlement Options and Placement Options, the Underwriter Options are each exercisable into a Share at 12 cents, on or before 31 July 2022.

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.

Allotment of Underwriter Options

The Company intends to issue the Underwriter Options on the same day as the date of issue of New Securities under the Entitlement Offer, under and subject to the Company's available capacity (existing at the date of issue) under Listing Rule 7.1.

As at the date of this Prospectus, the Company has capacity under Listing Rule 7.1 to issue up to 11,943,339 securities, which would be sufficient for the purposes of enabling the Company to

issue the maximum number of approximately 11,846,918 Underwriter Options without requiring Shareholder approval.

To the extent required, the Company will seek Shareholder approval under Listing Rule 7.1 for the issue of any balance of Underwriter Options, in which event the issue of those Underwriter Options will occur as soon as practicable after Shareholder approval is obtained.

Separate Offer

The offer of the Underwriter Options is a separate offer pursuant to this Prospectus and only the Underwriter and sub-underwriters (who are not related parties of the Company) are entitled to participate in the Underwriter Offer.

A personalised application form will be issued to the Eligible Applicants of the Underwriter Offer, together with a copy of this Prospectus (**Underwriter Offer Application Form**). The Company will only provide the Underwriter Offer Application Form to the Eligible Applicants of the Underwriter Offer.

The Underwriter Offer will close at the same time as the Entitlement Offer unless the Directors in their absolute discretion otherwise determine.

Disclosure

The Underwriter Offer is made with disclosure under this Prospectus in order to remove any secondary sale restrictions that may attach to the Underwriter Options, and to ensure a disclosure exception is available for the issue of Shares upon the exercise of the Underwriter Options and any on-sale of those Shares in the 12 months from the date of issue.

Rights attaching to Underwriter Options

A summary of the rights and liabilities attaching to the Underwriter Options, which will carry the same terms as the Entitlement Options and Placement Options, is set out in Section 8.2.

The Company will apply to ASX for Official Quotation of the Underwriter Options within seven days after the date of this Prospectus.

1.3 Details of the Placement Offer

As announced to the ASX on 6 July 2020, the Company has received binding commitments from sophisticated investors to participate in a Placement of 13,333,334 Shares, at the same Entitlement Offer issue price of \$0.075 per Share, to raise approximately \$1 million (before costs).

Under the terms of the Placement, the Company will issue the Placement Options to the Placement subscribers, on the basis of 1 Placement Option for every 3 Placement Shares subscribed for under the Placement.

As with the Entitlement Options and Underwriter Options, the Placement Options are each exercisable into a Share at 12 cents, on or before 31 July 2022.

Placement conditional upon Shareholder approval

Completion of the Placement is subject to Shareholder approval under Listing Rule 7.1, which the Company intends to seek at a general meeting to be convened shortly.

The issue of Placement Shares and Placement Options is intended to occur as soon as practicable after Shareholder approval is obtained for the purposes of Listing Rule 7.1.

As the Placement Shares will be issued after the Record Date, holders of the Placement Shares will not be entitled to participate in the Entitlement Offer.

Separate Offer

The Placement Offer is a separate offer pursuant to this Prospectus, and only those eligible investors invited by the Company and Underwriter are entitled to participate in the Placement Offer. A personalised application form will be issued to the Eligible Applicants of the Placement Offer, together with a copy of this Prospectus (**Placement Offer Application Form**). The Company will only provide the Placement Offer Application Form to the Eligible Applicants of the Placement Offer.

The Placement Offer will close at the same time as the Entitlement Offer unless the Directors in their absolute discretion otherwise determine.

Disclosure

The Placement Offer is made with disclosure under this Prospectus, primarily in order to remove any secondary sale restrictions that may attach to the Placement Options, and to ensure a disclosure exception is available for the issue of Shares upon the exercise of the Placement Options and any on-sale of those Shares in the 12 months from the date of issue.

Rights attaching to Placement Shares and Placement Options

Placement Shares will be issued as fully paid ordinary shares, and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to the Placement Shares is set out in Section 8.1.

The Placement Options will be issued for no additional consideration, on the same terms and conditions as the Entitlement Options and Underwriter Options (see Section 8.2 for further details).

The Company will apply to ASX for Official Quotation of the Placement Shares and Placement Options within seven days after the date of this Prospectus. If, for whatever reason, the Placement Shares and Placement Options are not admitted to Official Quotation within 3 months of the date of this Prospectus, no Placement Shares or Placement Options will be issued under this Prospectus. Placement Subscribers should be aware that the issue of the Placement Shares and Placement Options are subject to both Shareholder approval and quotation conditions being met.

1.4 Purpose of Offers

Hydrix is undertaking the Entitlement Offer and Placement to raise capital, with proceeds being used for three purposes:

- (a) Pay down \$0.75 million of the \$4.0 million loan provided by the Lender under the Facility Agreement. As detailed in Section 9.4(b), the Company and the Lender have agreed to vary the Facility Agreement, to enable the Company to 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;

- (b) 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
- (c) 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.

1.5 Use of funds raised under Offers

Completion of the Entitlement Offer, which is fully underwritten, will result in the Company raising approximately \$2 million (before costs), assuming that no unquoted Options and Warrants are exercised prior to the Record Date.

Completion of the Placement Offer, which is subject to Shareholder approval, will result in the Company raising an additional \$1 million (before costs).

Nominal proceeds of \$50 will be raised from the Underwriter Offer.

Assuming completion of all Offers under this Prospectus, the Company will issue a maximum of approximately 25,138,281 New Options (being the Entitlement Options, Placement Options and Underwriter Options), each exercisable at 12 cents on or before 31 July 2022.

It is possible that the Company may raise an additional \$3 million if all 25,138,281 New Options are exercised. In the event that any funds are raised through the exercise of these New Options, the Company expects that it will apply such funds towards its general working capital requirements and growth objectives.

The table below sets out the proposed use of funds raised under the Offers:

Proposed use	Estimated amount ¹	% of funds raised
Part repayment of loan under Facility Agreement ²	\$750,000	25%
General working capital and supporting growth initiatives	\$2,000,000	67%
Underwriting and management fees of the Offers ³	\$140,000	5%
Other expenses of the Offers ⁴	\$110,000	3%
TOTAL	\$3,000,000	100%

The above table is a statement of current intentions of the Board at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the

¹ The table assumes that no unquoted Options and Warrants are exercised prior to the Record Date, and that \$2 million is raised through the fully underwritten Entitlement Offer. It also assumes completion of the \$1 million Placement Offer, which is subject to Shareholder approval.

² Of the \$750,000, \$500,000 has been repaid by the Company to the Lender prior to the date of this Prospectus. The Company intends to repay a further \$250,000 to the Lender, upon receipt of funds under the Entitlement Offer. Refer to Section 9.4(b).

³ Refer to Section 9.4(a) for further information on the fees payable to the Underwriter in respect of the Entitlement Offer under the Underwriting Agreement. Henslow is also entitled to be paid a 2% management fee on the total amount raised under the Placement Offer.

⁴ Refer to Section 9.14 for further information on the other expenses of the Offers.

funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

If the Placement Offer, which is subject to Shareholder approval, does not complete for any reason, funding allocated to working capital requirements will be reduced by \$1 million.

1.6 Opening and Closing Dates

The Company will accept Application Forms for the Offers from the date it dispatches the Prospectus until 5.00pm (AEST) on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.7 Withdrawal of Offers

The Company reserves the right not to proceed with some or all of the Offers at any time before the issue of the New Securities. If some or all of the Offers do not proceed, the Company will return the relevant Application Monies, without interest, as soon as practicable after giving notice of its withdrawal.

1.8 Underwriting

The Entitlement Offer is fully underwritten by Henslow, which means that upon completion of the Entitlement Offer, the Company will (subject to the terms of the Underwriting Agreement) raise the full Offer amount of approximately \$2 million (before costs). Refer to Section 9.4(a) for details of the Underwriting Agreement entered into between the Underwriter and the Company. The Placement Offer is not underwritten.

1.9 Shortfall Facility

Where a Shortfall exists, the Company proposes to adopt a dispersion strategy for dealing with the Shortfall (in addition to the underwriting), by way of a facility for Eligible Shareholders to apply for additional New Shares in excess of their Entitlements (**Shortfall Facility**).

Under the Shortfall Facility, Eligible Shareholders who subscribe for their full Entitlement may apply for additional New Shares (refer to Section 2.4 for instructions on how to do this) at the same issue price of \$0.075 (**Additional New Shares**).

The Additional New Shares will carry the same right to free Entitlement Options, and one free Entitlement Option will be issued for every three Additional New Shares issued (together the **Additional New Securities**).

The Company only intends to issue up to the aggregate number of New Securities that are offered under the Entitlement Offer, therefore it may be necessary to scale-back Applications for Additional New Securities if all Applications exceed this number.

The Underwriter has, subject to the terms of the Underwriting Agreement, an obligation to subscribe for any Shortfall, and the Company may, in consultation with the Underwriter, give priority to the Underwriter and sub-underwriters who have made that commitment in allocating any Shortfall.

Accordingly, there is no guarantee that there will be sufficient Shortfall available to satisfy demand, if at all, for Eligible Shareholders who apply for Additional New Shares under the Shortfall Facility. Eligible Shareholders have no priority right to Shortfall (if any).

In consultation with the Underwriter, the Company reserves the right to:

- (a) allocate any Shortfall to the Underwriter and/ or sub-underwriters;
- (b) reject an application for Additional New Shares under the Shortfall Facility; or
- (c) issue a lesser number of Additional New Shares than applied for under the Shortfall Facility.

If the number of Additional New Shares issued to an Eligible Shareholder is less than the number applied for, surplus Application monies will be refunded without interest.

In the event of any disputes in relation to the implementation of the allocation policy outlined above, the Board reserves the right to resolve such disputes in a manner it deems appropriate, in consultation with the Underwriter, and at its sole discretion. The decision of the Board as to the allocation of Additional New Shares is final.

Any Additional New Securities will be allotted at the same time as the New Securities subscribed for under the Entitlement component of the Entitlement Offer.

1.10 Minimum subscription

Completion of the Offers is not subject to meeting any minimum level of subscription.

1.11 Issue Date and dispatch

All New Securities under the Entitlement Offer are expected to be issued on the date specified in the Indicative Timetable.

All Underwriter Options will be issued on or around the same day as the date of issue of the New Securities under the Entitlement Offer, subject to the Company's available capacity (existing at the date of issue) under Listing Rule 7.1. As at the date of this Prospectus, the Company has capacity under Listing Rule 7.1 to issue up to 11,943,339 securities, which would be sufficient for the purposes of enabling the Company to issue the maximum number of approximately 11,846,918 Underwriter Options.

Completion of the Placement is subject to Shareholder approval under Listing Rule 7.1, which the Company intends to seek at a general meeting to be convened shortly. The issue of Placement Shares and Placement Options is intended to occur as soon as practicable after Shareholder approval is obtained for the purposes of Listing Rule 7.1.

Security holding statements will be dispatched at the end of the calendar month following the issue of the New Securities under the Offers.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Securities. Applicants who sell Securities before they receive their holding statements will do so at their own risk.

1.12 Application Monies held on trust

All Application Monies received for the New Securities under the Offers will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Securities are issued. All Application Monies will be refunded (without interest) if the New Securities are not issued, and each Applicant waives the right to claim interest.

1.13 ASX quotation

The Company will apply to ASX for Official Quotation of all New Securities offered pursuant to this Prospectus within seven days after the date of this Prospectus.

If an application for quotation of the New Securities is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the New Securities within three months after the date of this Prospectus, the Company will not issue those New Securities under this Prospectus, and will repay all Application Monies received for the relevant New Securities within the time prescribed under the Corporations Act, without interest.

1.14 CHESS and Issuer Sponsorship

The Company participates in the Clearing House Electronic Sub-Register System, known as CHESS. ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement.

The CHESS statement will specify the number of Shares and Options issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares and Options, including a notice to exercise the Options.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by the Company's Share Registry and will contain the number of Shares and Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes.

Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.15 Residents outside Australia

(a) Offers and distribution of Prospectus

This Prospectus, and any accompanying Application Form, do not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Securities under the Offers.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

(b) Ineligible Foreign Shareholders

The Company believes that it is unreasonable to extend the Entitlement Offer to Ineligible Foreign Shareholders. The Company has formed this view having considered:

- (i) the number and value of the Securities that would be offered to those Shareholders; and
- (ii) the cost of complying with the legal requirements and the requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, Ineligible Foreign Shareholders will not be entitled to participate in the Entitlement Offer, and no action has been taken to register or qualify the Securities or the Entitlement Offer in any jurisdiction outside Australia and New Zealand or otherwise to permit a public offering of the Securities in any jurisdiction outside Australia or New Zealand.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia and New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and New Zealand.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law, and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws. Each Applicant warrants and represents that they are an Australian or New Zealand citizen or resident in Australia or New Zealand, at the time of the application and are not acting for the account or benefit of any person in the United States or any other foreign person.

(c) **New Zealand**

The Securities are not being offered under the Entitlement Offer or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand at the Record Date.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 6 of the *Corporations Act 2001* and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer,

please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf.

If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

(d) Notice to nominees and custodians

Nominees and custodians that hold Securities should note that the Offers are available only to Eligible Applicants. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offers is compatible with applicable foreign laws.

1.16 Prohibition on exceeding 20% voting power threshold

Potential investors must have regard to and comply with the takeovers prohibition in section 606 of the Corporations Act (that is, the 20% voting power threshold), when applying for New Securities offered pursuant to this Prospectus, and exercising New Options.

The Company has not appointed a nominee for the purposes of Listing Rule 7.7.1(c) and section 615 of the Corporations Act in respect of the Entitlement Offer.

The Company reserves the right to reject or scale back any application under the Shortfall Facility which it considers may result in breach of section 606 of the Corporations Act. The Company expressly disclaims any responsibility for monitoring such applications or ensuring that individual investors do not breach section 606 as a result of participation in the Offers or exercise of New Options.

Investors that may be at risk of exceeding the 20% voting power threshold in section 606 or increasing their voting power from a position above 20% as a result of application under the Shortfall Facility or the acquisition of Shares following exercise of New Options, should seek professional advice before applying under the Shortfall Facility or exercising New Options (as applicable).

1.17 Risks

An investment in Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are certain specific risks associated with an investment in the Company which are detailed in Section 7.

1.18 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.19 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's holding of Securities in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application (as applicable). An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.20 Major activities and financial information

A summary of the major activities and financial information relating to the Company, for the financial year ended 30 June 2019, can be found in the Company's 2019 annual financial report lodged with ASX on 30 August 2019 and, for the half-year ended 31 December 2019, the half-yearly report lodged with on ASX on 27 February 2019.

The Company's continuous disclosure notices (i.e. ASX announcements) since 30 August 2019 are listed in Section 9.3(c). Copies of these documents are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

2. Action required in relation to the Entitlement Offer

2.1 Entitlement under the Entitlement Offer

The Company will send this Prospectus, together with a personalised Application Form, to all Eligible Shareholders. An Eligible Shareholder's Entitlement will be set out in their personalised Application Form accompanying this Prospectus.

Eligible Shareholders will be entitled to subscribe for 1 Entitlement Share for every 3 Shares held as at the Record Date. In addition, Eligible Shareholders will be entitled to receive 1 free Entitlement Option for every 3 Entitlement Shares subscribed for under the Entitlement Offer.

If you have more than one holding of Shares, you will receive more than one set of Offer documents (being the Prospectus and Application Form), and you will have a separate Entitlement for each holding.

2.2 Options available to Eligible Shareholders

If you are an Eligible Shareholder, you may:

- (a) take up all of your Entitlement (see Section 2.3 for instructions on how to do this);
- (b) in addition to applying for all of your Entitlement, apply for Additional Shares under the Shortfall Facility described in Section 1.9 (see Section 2.4 for instructions on how to do this);
- (c) take up part of your Entitlement and allow the balance of your Entitlement to lapse (see Section 2.3 for instructions on how to do this); or
- (d) allow all of your Entitlement to lapse (see Section 2.6).

2.3 Acceptance of Entitlement in full or in part

Your Entitlement to participate in the Entitlement Offer will be determined on the Record Date. The number of Entitlement Shares to which you are entitled will be shown on your personalised Application Form. Your Application Form will allow you to apply for less Entitlement Shares than your Entitlement.

You may take up all or part of your Entitlement by submitting an Application in accordance with the instructions contained in Section 2.5 by no later than 5.00pm (AEST) on the Closing Date.

2.4 Applying for Additional New Shares

Eligible Shareholders who subscribe for their full Entitlement may apply for Additional New Shares under the Shortfall Facility described in Section 1.9. To do this, Eligible Shareholders should enter the number of Additional New Shares they wish to apply for in the Section B of their personalised Application Form entitled "Application for Additional New Shares under Shortfall Facility".

The Application Form and Application Monies (including Application Monies for the Additional New Shares applied for under the Shortfall Facility) must be submitted in accordance with the instructions contained in Section 2.5 by no later than 5.00pm (AEST) on the Closing Date.

The amount of Application Monies that Eligible Shareholders submit with their Application Forms or pay via BPAY® must be equal to the issue price per New Share (\$0.075) multiplied by the total number of New Shares applied for (including Additional New Shares).

There is no guarantee that an Eligible Shareholder will receive Additional New Shares and the Directors do not represent that any Applications for Additional New Shares will be successful. By applying under the Shortfall Facility, you agree to accept a lesser number of Additional New Shares than that applied for in your Application Form. If the number of Additional New Shares allotted to an Eligible Shareholder is less than the number applied for by that Eligible Shareholder, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

2.5 Payment options

Payment of Application Monies (Application Monies must be equal to the issue price per New Share of \$0.075 multiplied by the total number of New Shares applied for, including Additional New Shares) will only be accepted in Australian currency. Applications will be deemed not to have been received until the Company is in receipt of cleared funds of the relevant Application Monies.

You may pay your Application Monies via BPAY®, or by cheque, bank draft or money order, in accordance with the instructions below and on the Application Form. Applicants are encouraged to pay by BPAY®.

Shareholders are requested not to forward cash as cash payment will not be accepted. Receipts for payment will not be provided. Neither the Company nor the Share Registry accepts any responsibility if you lodge your Application Form and payment at any other address or by any means other than those detailed in this Prospectus and in the Application Form.

If the amount of Application Monies provided is insufficient to pay in full for the number of New Shares including any Additional New Shares you applied for, or is more than the number of New Shares including any Additional New Shares you applied for, then you will be taken to have applied for such whole number of New Shares including any Additional New Shares which is covered in full by your Application Monies. Alternatively, the Company may in its discretion reject your Application, in which case any Application Monies will be refunded to you, without interest.

(a) Payment via BPAY®

If you elect to pay your Application Monies by BPAY®, which is highly recommended in light of delays to postal services caused by the COVID-19 pandemic, it is not necessary to return the Application Form. Your payment must be received by the Share Registry before 5.00pm (AEST) on the Closing Date of Thursday 23 July 2020.

To pay via BPAY®, you must use the specific biller code and Customer Reference Number detailed on your personalised Application Form.

If you have multiple holdings you will have multiple Customer Reference Numbers. To ensure you receive New Securities in respect of the correct holding, you must use the specific biller code and the Customer Reference Number shown on each personalised Application Form when paying for any New Shares that you wish to accept in respect of that holding.

If you inadvertently use the same Customer Reference Number for more than one of your Entitlements, you will be deemed to have accepted the New Shares to which that Customer Reference Number applies and any excess amount will be treated as an application for Additional New Shares on that holding.

You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payment and it your responsibility to ensure that funds are submitted through BPAY® by the Closing Date. You may also have your own limit on the

amount that can be paid via BPAY®. It is your responsibility to check that the amount you wish to pay via BPAY® does not exceed your limit.

(b) Payment via cheque, bank draft or money order

If you wish to pay your Application Monies via cheque, bank draft or money order, you must return your completed personalised Application Form along with your Application Monies, as follows:

- (i) complete your personalised Application Form;
- (ii) attach your payment of Application Monies, which must be drawn on an Australian bank or an Australian branch of a financial institution and be made payable in Australian currency;
- (iii) address the cheque, bank draft or money order to 'Hydrix Limited' and cross 'Not Negotiable'; and
- (iv) return the completed Application Form and Application Monies payment by no later than 5.00pm (AEST) on the Closing Date to the Company's Share Registry (by post) at:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

2.6 Entitlements not taken up

If you do not wish to accept any of your Entitlement under the Entitlement Offer, you are not obliged to do anything. The number of Securities you hold and the rights attached to those Securities will not be affected should you choose not to accept any of your Entitlement. Your shareholding in the Company however, will be diluted.

3. Action required in relation to the Underwriter Offer

Applications for the Underwriter Options can only be made by Eligible Applicants for the Underwriter Offer, being the Underwriter and the sub-underwriters (if they are not related parties of the Company).

All Eligible Applicants for the Underwriter Offer will be sent a copy of this Prospectus, together with an Underwriter Offer Application Form. Applications for the Underwriter Options must be made using the Underwriter Offer Application Form.

Eligible Applicants for the Underwriter Offer may apply for an allocated number of Underwriter Options under the Underwriter Offer as follows:

- (a) In the case of the Underwriter, 3 million Underwriter Options; and
- (b) In the case of a sub-underwriter, the number of Underwriter Options notified to it by the Underwriter, calculated on the basis of 1 Underwriter Option for every three Entitlement Shares sub-underwritten under the Entitlement Offer.

Applicants may not apply for additional Underwriter Options.

Completed Application Forms for the Underwriter Offer must be returned in accordance with the instructions on the Application Form, and received by the Company by no later than 5.00pm AEST on the Closing Date, or such later date that the Directors advise.

Applicants under the Underwriter Offer are not required to make any payment for the Underwriter Options, as the Underwriter Options are being issued as part consideration for the underwriting.

4. Action required in relation to the Placement Offer

Applications for the Placement Offer can only be made by Eligible Applicants for the Placement Offer, being those eligible investors invited by the Company and Underwriter to participate in the Placement Offer.

All Eligible Applicants for the Placement Offer will be sent a copy of this Prospectus, together with a Placement Offer Application Form. Applications under the Placement Offer must be made using the Placement Offer Application Form.

Eligible Applicants for the Placement Offer may apply for their allocated number of Placement Shares and Placement Options, as notified to the Eligible Applicant by the Underwriter or the Company.

Completed Application Forms for the Placement Offer must be returned in accordance with the instructions on the Placement Offer Application Form, and received by the Company by no later than 5.00pm AEST on the Closing Date, or such other date that the Directors advise.

5. Application Form

5.1 Effect of Application

The Company will send this Prospectus, together with the Application Form, to all Eligible Applicants.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted by the Company. The Application Form does not need to be signed to be a binding application for Securities.

If the Application Form is not completed correctly it may still be treated as valid. The Board's decision as to whether to treat the Application Form as valid and how to construe, amend or complete the Application Form, is final.

By completing and returning your Application Form with the requisite Application Monies (if applicable), or making a payment via BPAY®, you will be deemed to have:

- (a) represented and warranted that you are an Eligible Applicant for the relevant Offer;
- (b) represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus;
- (c) agreed to be bound by the terms of the relevant Offer;
- (d) declared that all details and statements in the Application Form are complete and accurate;
- (e) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- (f) authorised the Company and its respective officers or agents, to do anything on your behalf necessary for the Securities to be issued to you, including to act on instructions of the Company's Share Registry upon using the contact details set out in the Application Form;
- (g) acknowledged that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that the Securities are suitable for you given your investment objectives, financial situation or particular needs;
- (h) acknowledged the statement of risks in Section 7 and that an investment in the Company is subject to risk;
- (i) authorised the Company to place your name on the Company's shareholder register in respect of the Securities issued to you under the relevant Offer, and agreed to be bound by the Company's constitution in respect of those Securities; and
- (j) acknowledged that the Securities offered under this Prospectus have not, and will not be, registered under the securities laws in any jurisdictions outside Australia.

5.2 Enquiries concerning an Application Form or your Entitlement

For all enquiries concerning an Application Form or your Entitlement, please contact the Company's Share Registry, Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

6. Effect of the Offers

6.1 Current capital structure of Hydrix

As at the date of this Prospectus, the Company has on issue 79,622,263 Shares, as well as the following unquoted securities:

(a) Options

Unlisted Options	Exercise Price	Expiry date	Number
Options	\$0.80	31 July 2020	3,125,000
Employee Options issued under Long Term Incentive Plan ⁵	\$0.29	30 June 2025	785,127
Total			3,910,127

(b) Performance Rights

Each Performance Right entitles its holder to be issued one Share for nil consideration, upon satisfaction of certain prescribed vesting conditions, which are linked to performance and continuing service. The Performance Rights currently on issue in the Company are as follows:

Tranche	Vesting Conditions	Number
1	Vest after the performance period between 1 July 2019 and 30 June 2020, subject to satisfaction of prescribed vesting conditions	250,000
2	Vest after the performance period between 1 July 2019 and 30 June 2021, subject to satisfaction of prescribed vesting conditions	250,000
3	Vest after the performance period between 1 July 2019 and the date of the Company's 2020 Annual General Meeting, subject to satisfaction of prescribed vesting conditions.	150,000
4	Vest after the performance period between 1 July 2020 and the date of the Company's 2021 Annual General Meeting, subject to satisfaction of prescribed vesting conditions.	150,000
Total		800,000

(c) Warrants

The Company currently has one Warrant on issue, which was issued to the Lender under the terms of the Facility Agreement and Warrant Deed.⁶ Under the terms of the Warrant Deed, the Warrant is exercisable into 8,000,000 Shares during the 48 month period commencing 17 December 2019, upon payment of the exercise price per Share, which is to be calculated in accordance with the Warrant Deed. As explained in Section 9.4(b), the Company and the Lender have agreed to vary the terms of the Facility Agreement, and (subject to Shareholder approval) the terms of the Warrant.

⁵ The Employee Options vest on various dates. Of the 785,127 Employee Options, 392,570 Options have vested; 196,270 Options will vest on 1 July 2021, and 196,287 Options will vest on 1 July 2022.

⁶ The Warrant currently on issue is the Refinance Facility Warrant described in the Company's Notice of 2019 AGM. The Working Capital Facility Warrant (which was issued at the same time as the Refinance Facility Warrant) has been cancelled for no consideration, on the basis that the Company has not drawn down the working capital facility under the Facility Agreement, and the working capital facility has now been terminated. Refer to Section 9.4(b) for further details.

6.2 Effect of Offers on Hydrix's capital structure

Assuming that all Securities are fully subscribed for and issued under the Offers, the capital structure of the Company will be as follows:

Particulars	Shares	Options	Performance Rights	Warrants
On issue at the date of this Prospectus	79,622,263	3,910,127 ⁷	800,000 ⁸	1 ⁹
To be issued under Entitlement Offer ¹⁰	26,540,754	8,846,918 ¹¹	0	0
To be issued under Underwriter Offer ¹²	0	11,846,918 ¹³	0	0
To be issued under Placement Offer ¹⁴	13,333,334	4,444,445 ¹⁵	0	0
TOTAL	119,496,351	29,048,408	800,000	1

6.3 Pro forma consolidated statement of financial position

Set out below is:

- the audit-reviewed (but unaudited) consolidated statement of financial position of the Company as at 31 December 2019 (**Balance Date**);
- the unaudited significant changes since the Balance Date;
- the unaudited effects of the Offers (assuming the Offers are fully subscribed); and
- the unaudited pro forma statement of financial position of the Company at the Balance Date adjusted to reflect paragraphs (b) and (c).

The statements of financial position have been prepared to provide Shareholders with information on the assets and liabilities of the Company and the pro forma assets and liabilities of the Company as noted below. The historical and pro forma information is presented in abbreviated form and does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

⁷ Refer to Section 6.1(a) for further details on the terms of these Options.

⁸ Refer to Section 6.1(b) for further details on the terms of the Performance Rights.

⁹ Exercisable into 8 million Shares. Refer to Section 6.1(c) for further details on the terms of the Warrant.

¹⁰ Assumes that all new Securities offered under the fully underwritten Entitlement Offer will be issued, and that no Securities will be issued or exercised prior to the Record Date. These numbers are also subject to rounding for fractional entitlements.

¹¹ The terms of these Options are set out in Section 8.2.

¹² Assumes that the maximum number of Underwriter Options offered under the Underwriter Offer will be issued, and that no Securities will be issued or exercised prior to the Record Date. These numbers are also subject to rounding for fractional entitlements.

¹³ The terms of these Options are set out in Section 8.2.

¹⁴ Assumes completion of the Placement, which is subject to Shareholder approval under Listing Rule 7.1. The number of Options are also subject to rounding for fractional entitlements.

¹⁵ Subject to rounding for fractional entitlements. The terms of these Options are set out in Section 8.2.

Amounts in AUD\$'Ms	Statutory Historical Reviewed 31 Dec 2019	Statutory Unaudited 30 June 2020	Pro forma adjustments	Pro forma 30 June 2020
Current assets				
Cash and cash equivalents ¹	3.136	2.190	2.000	4.190
Trade and other receivables	2.368	2.461	-	2.461
Contract assets	1.128	0.895	-	0.895
Prepayments	0.277	0.188	-	0.188
Total current assets	6.910	5.734	2.000	7.734
Non-current assets				
Financial assets at fair value through other comprehensive income	0.411	2.242	-	2.242
Deferred tax assets	0.305	-	-	-
Plant and equipment	0.366	0.330	-	0.330
Right of use assets	2.769	2.538	-	2.538
Intangible assets	3.726	7.923	-	7.923
Other assets	0.021	0.044	-	0.044
Security deposits	0.419	0.419	-	0.419
Total non-current assets	8.017	13.497	-	13.497
Total assets	14.927	19.232	2.000	21.232
Current liabilities				
Trade and other payables	1.716	0.981	-	0.981
Contract liabilities	0.313	1.397	-	1.397
Borrowings	1.857	0.027	-	0.027
Derivative liabilities	0.936	0.503	-	0.503
Employee benefits	0.535	0.634	-	0.634
Lease liabilities	0.483	0.507	-	0.507
Other liabilities	0.258	0.158	-	0.158
Total current liabilities	6.098	4.207	-	4.207
Non-current liabilities				
Borrowings ²	4.000	6.750	(0.750)	6.000
Less: Capitalised Transaction Costs	(1.217)	(0.278)	-	(0.278)
Employee benefits	0.261	0.239	-	0.239
Lease liabilities	3.654	3.394	-	3.394
Provisions	0.184	0.191	-	0.191
Contingent consideration	-	2.524	-	2.524
Total non-current liabilities	6.882	12.819	(0.750)	12.069
Total liabilities	12.980	17.026	(0.750)	16.276
Net assets	1.946	2.206	2.750	4.956
Equity				
Issued capital	82.096	82.511	2.244	84.755
Financial assets at fair value reserve	(0.020)	(0.014)	-	(0.014)
Share based payments reserves	0.322	1.818	1.106	2.924
Accumulated losses	(80.452)	(82.110)	(0.600)	(82.710)
Total equity	1.946	2.206	2.750	4.956

Notes to the pro forma consolidated statement of financial position

¹ Net cash raised and available for working capital purposes of \$2.0 million is based on cash raised of approximately \$3.0 million less debt pay down under debt facilities of \$0.75 million and fees and costs associated with raising the capital of \$0.25 million.

² Of the \$750,000, \$500,000 has been repaid by the Company to the Lender prior to the date of this Prospectus. The Company intends to repay a further \$250,000 to the Lender, upon receipt of funds under the Entitlement Offer. Refer to Section 9.4(b).

6.4 Effect of Entitlement Offer on control of the Company

The effect of the Entitlement Offer on the control of Hydrix will depend upon a number of factors including:

- (a) the level of Shareholder participation in the Entitlement component of the Entitlement Offer and the identity of Shareholders who participate in the Entitlement component of the Entitlement Offer;
- (b) if applicable, the level of Shareholder participation in the Shortfall Facility and the identity of Shareholders who participate in the Shortfall Facility;
- (c) the extent to which the underwriting or sub-underwriting is called upon; and
- (d) the level of dispersion of remaining Shortfall (if any) to the Underwriter and any sub-underwriters of the Offer.

The following can be said about the potential effect of the Entitlement Offer on the control of Hydrix:

- (e) If every Eligible Shareholder was to take up their full Entitlement, there would be a minimal effect on the control of Hydrix (having regard to the small shareholdings of Ineligible Foreign Shareholders), as the Entitlement Offer is made pro-rata and in that case there would not be any scope for any Shareholder to apply for Additional New Shares under the Entitlement Offer and there would be no Shortfall required to be taken up by the Underwriter or sub-underwriters.
- (f) If some Eligible Shareholders elect not to participate in the Entitlement Offer, it would result in the Underwriter and/or sub-underwriters obtaining or increasing their holding in the Company, giving each of them increased voting rights as well as gaining a greater degree of influence over the operations of the Company.
- (g) Following the Entitlement Offer, if the Underwriter and/or sub-underwriters hold over 25% of the Company's Shares, they could prevent the passing of a special resolution by the Shareholders.

6.5 Effect of Offers on Shareholder dilution

If you are an Eligible Shareholder and subscribe for your full Entitlement under the Entitlement Offer, you will not be diluted as a result of the Entitlement Offer.

If you are an Ineligible Foreign Shareholder, or an Eligible Shareholder who does not exercise your full Entitlement under the Entitlement Offer, your holdings will be diluted as a result of the

Entitlement Offer (as compared to your holdings and number of Shares on issue as at the date of the Prospectus).

Examples of how dilution as a result of the Entitlement Offer may impact Shareholders are set out in the table below:

Holder	Shareholding at Record Date		Entitlement Shares	Shareholding following Entitlement Offer if Entitlement not accepted	
	Number	%		Number	%
Holder 1	5,000,000	6.28%	1,666,667	5,000,000	4.71%
Holder 2	3,000,000	3.77%	1,000,000	3,000,000	2.83%
Holder 3	1,000,000	1.26%	333,333	1,000,000	0.94%

The dilution effect shown in the table above is the maximum percentage on the assumption that those Entitlements not accepted are taken up under the Shortfall Facility or underwriting. The above table also assumes that no Options or Warrants are exercised, and does not take into account the dilutionary impact of the Placement Offer.

Following completion of the Entitlement Offer and Placement Offer, the subscribers to the Placement will hold approximately 11% of the Company's issued Share capital (assuming that no Options or Warrants are exercised). Accordingly, the holdings of existing Shareholders will be diluted by a corresponding amount.

7. Risk Factors

7.1 Introduction

The Securities offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors commend the Offers, potential investors should consider whether the Securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the non-exhaustive risk factors set out below.

The risk factors set out below, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

7.2 Risks specific to the Offers

(a) Future funding

The funds raised by the Entitlement Offer and Placement Offer will be partly applied towards reducing debt owed to the Lender under the Facility Agreement, and payment of costs and expenses of the Offers. The remaining balance of funds will be applied towards the Company's working capital requirements, and execution of its buy, build and invest growth strategy. The Company may be required to raise further funds for future operational activities. There is a risk that further raisings may not be on terms favourable to, or may dilute, existing Shareholders.

(b) Dilution

Shareholders who do not take up their Entitlement will have their holding in the Company diluted. In addition, existing Shareholders will have their holding in the Company diluted following completion of the Placement Offer.

(c) Control

The Directors have taken reasonable steps through the Shortfall Facility and underwriting to maximise dispersion of any Shortfall under the Entitlement Offer, so as to reduce the control effects of the Entitlement Offer on the Company. However, assuming some Shareholders take up their Entitlement and others do not, there is a risk that voting power may be consolidated among fewer Shareholders and the interests of these Shareholders may not align with other Shareholders' interests.

7.3 Company and industry risks

The risks outlined below are specific to the Company's operations.

(a) Ability to win and retain key customers

The Company's business is dependent on the securing of contracts to provide product design and engineering services to customers in the medical, rail, industrial, defence and

other sectors, and selling medical products under distribution agreements. The Company has no control over the timing of these opportunities or in respect of the awarding of such contracts or customer demands for its products. The performance of services contracts may incur additional, unexpected costs or be subject to delays and changes to budgeted scope and deliverables, which may require the Company to revise its timetable or delay the successful development of the business.

Due to the current global economic uncertainty arising from COVID-19, there is a risk some projects under existing contracts may be slowed down or deferred, and some prospective customers may choose to defer or reconsider decisions when to start projects, including where the client's product development is dependent on access to healthcare facilities and or funding is disrupted. Further, the Company's ability to sell medical products under its distribution agreement with Angel Medical Systems has been impacted by temporary embargos on elective surgeries, restricted access to hospital surgery facilities and travel for key personnel. As a result, there is a risk of a reduction in revenue for the Company's services division and a delay in progressing medical product sales under early access schemes in Australia and Singapore, in the near term.

Although there is a risk of temporary slowing and deferral of existing and prospective contracts, at this point, no material active client contracts have been cancelled.

If the Company fails to maintain or secure future services contracts, revenue could be adversely affected. There is also a risk that contracts it believes it may be able to enter into will not be able to be successfully negotiated or existing contracts may be terminated at short notice or not extended or replaced.

(b) Distribution of Guardian System

Hydrix owns the exclusive rights to distribute Angel Medical Systems, Inc. (**AngelMed**) Guardian[®] System in eight Asia Pacific countries. Hydrix's initial distribution focus is to accelerate revenue in key markets with early access regulatory schemes which allow for commercial implants of the Guardian[®] System.

There is a risk that Hydrix's planned timeframes for distribution of the Guardian[®] System may be delayed due to COVID-19 restrictions, regulatory and legal requirements (including of HSA, TGA and FDA), and any amendment to existing legislation or regulations in relevant countries. A loss or delay of anticipated revenue under the distribution agreement could have a material adverse impact on the Company's financial performance.

(c) Regulated industries

Hydrix is a product design and engineering company, and partners with customers in industry sectors including medical, rail, industrial and defence, to help them design, develop and commercialise transformative technologies.

Hydrix's business model includes the distribution of medical device products in Australia and Asia Pacific, either directly or through sub-distributors.

The industries in which Hydrix, its key customers and sub-distributors operate, particularly the medical device technology industry, are highly regulated in Australia, Asia Pacific, the United States, and other countries in which the Company may conduct business operations.

Whilst Hydrix benefits from operating in these regulated industries which have high barriers to entry, there is a risk that customer projects and/ or medical product sales may be

delayed or terminated due to regulatory and legal requirements, and any amendment to existing legislation or regulations in relevant countries. A loss or delay of a number of Hydrix's major services projects or product sales could have a material adverse impact on the Company's financial performance.

(d) **Competition**

Hydrix is not unique in developing and marketing many of its products and services. There is a risk that the Company's products and services may not, in the future, be able to compete with competitors' products and services on cost or technical grounds and therefore contracts may not be awarded to it. There is a risk that the cost of competing products and services may fall or that the Company's services may become too expensive to allow the Company to compete effectively. A loss of a number of Hydrix's major customers could have a material adverse impact on the Company's financial performance.

(e) **Reliance on Key Personnel**

Hydrix currently employs a number of qualified key personnel, who are integral to the Company's operations. Hydrix's future depends on its ability to continue retaining, motivating and attracting suitably qualified personnel. The loss of key personnel, or the inability to access and retain the services of qualified staff, could adversely affect Hydrix and its activities. Hydrix has, to the extent practicable and legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor, or compete directly with Hydrix. Despite these measures, there is no guarantee that Hydrix will be able to attract and retain suitably qualified personnel.

(f) **Reliance on Systems**

The successful operation of Hydrix's business is dependent on various technologies including the internet and dedicated servers. Any significant disruption to these systems could have a materially detrimental effect on Hydrix's business.

(g) **Intellectual Property Rights**

The Company's core business is to create value through technology, and one of the Company's significant assets is its intellectual property rights in products and services, which it has developed. The Company relies on a combination of intellectual property laws, confidentiality procedures and contractual provisions to protect these assets. The laws of some foreign jurisdictions may provide less protection than the laws of Australia for the Company's proprietary rights. Unauthorised use of the Company's intellectual property could have a materially adverse effect on the Company and there can be no assurance that the Company's legal remedies would adequately compensate it for the damage to its business caused by such use.

The Company is not aware that any of its products infringe upon the proprietary rights of third parties in any material respect. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to current or future products or services. Any such claim, with or without merit, could result in substantial costs and diversion of management resources and a successful claim could effectively block the Company's ability to market its products and services which would have a material adverse effect on the financial and operating results of the Company.

(h) **Risks in international growth**

Hydrix's current business model includes the distribution of medical device products in Australia and Asia Pacific, either directly or through sub-distributors. Hydrix may also expand its distribution model to include other international markets in the future.

Pursuit of growth opportunities internationally may require significant investment for an extended period before returns, if any, are realised, and there can be no assurance that the Company's expansion plans would be successful.

The Company's prospects in this regard could be adversely affected by factors such as delays in the opening of foreign markets, the exchange rate, a preference for the use of local suppliers, current or future legislation or regulatory or technical standards which discriminate against overseas suppliers.

In addition, Australian laws and policies affecting foreign trade, investment and taxation, as well as laws and regulations in other jurisdictions in which the Company operates, could also adversely affect the Company's Australian and international operations and growth.

(i) Venture risks

Hydrix leverages its product innovation capability to make selective investments in some customers by way of direct cash investment and/or accepting equity in-kind for services rendered by Hydrix. These investments are generally made in early stage pre-revenue companies, which have products under development that are intended to be sold or provided in highly regulated industries, including medical and healthcare industries. The long-term viability of these investments is subject to financial and product commercialisation risks, including commercial technology feasibility being achieved, regulatory approval being gained, competitive market forces and customers entering into commercial arrangements. There is a risk that these venture investments will not deliver a positive economic return for Hydrix.

(j) Debt and covenants

As set out in Section 9.4, the Company is party to a number of loan agreements, including the Facility Agreement. Should a number of the risks outlined in this Section 7 eventuate, the Company may experience difficulty in making the repayments under those agreements as and when they fall due.

The Company's Facility Agreement with the Lender restricts its ability to incur further debt except in certain circumstances. Should the Company experience a protracted decline in earnings, there is a possibility that the quantum of debt and/ or equity funding available to the Company would not be sufficient to execute its strategy which could have a negative impact on the future financial performance or position of the Company.

In addition, the Company's existing debt facility with the Lender is subject to certain financial covenants. In the course of operating a prudent financing strategy, the Company can employ a range of strategies in order to meet its financial covenants. If there were a significant decline in revenue or earnings, this could cause the Company to not comply with these financial covenants.

A failure to comply with any of these financial covenants may require the Company to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that the Lender would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditional upon the receipt of a cash payment, revised pay-out terms, increased interest rates, or that the

Lender would not exercise rights that would be available to it, including among other things, calling an event of default and demanding immediate payment of outstanding borrowings. If such a demand was made and appropriate forbearance or refinance arrangements could not be reached, the Company may not have sufficient available funds to meet that demand.

As described in Section 9.4(b), the Company has negotiated a reduction in the nature and extent of its financial covenants under the Facility Agreement, providing Hydrix with increased operational flexibility.

7.4 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) Economic risks

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates, access to debt and capital markets, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters, and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions may have an adverse impact on the Company's business or financial condition. No guarantee can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(b) Market conditions

An investment in the Company's Shares has the general risks associated with any investment in the share market. Returns from an investment in Shares will depend on general stock market conditions as well as the performance of the Company. The market price of the Company's Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. The trading price of the Company's Shares may be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, announcements of new contracts by the Company or its competitors, announcements by the Company or its competitors of significant acquisitions, technological developments, capital commitments, additions or departures of key personnel and other events or factors, many of which are beyond the Company's control.

Further, general share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: general economic outlook; interest rates and inflation rates; currency fluctuations; changes in investor sentiment; the demand for, and supply of, capital; and terrorism or other hostilities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) COVID-19 pandemic

As a result of the COVID-19 pandemic, global credit and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time

resulting in continued volatility and uncertainty in world stock markets (including ASX). This may impact the price at which the Securities trade, regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required. In addition, due to COVID-19, there is a risk of slowing and deferral of projects under existing contracts and conversions of new projects, and under product sales of medical products it distributes. As a result, there is a temporary risk of reduction in revenue for the Company in the near term.

(d) Liquidity Risk

The market for the Company's Shares may be illiquid. As a consequence, investors may be unable to readily exit or realise their investment.

(e) Force majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, pandemics, epidemics or quarantine restrictions.

(f) Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors. The recoupment of taxation losses accrued by the Company from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in the jurisdictions in which the Company operates. There is no guarantee that the Company will satisfy all of these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cash flows of the Company.

(g) Litigation risk

The Company is not currently engaged in any litigation. However, the Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

(h) Insurance risk

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

8. Rights and liabilities attaching to New Securities

8.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

At the date of this Prospectus, all Shares on issue in the Company are of the same class and rank equally in all respects. The New Shares issued pursuant to this Prospectus will rank equally with existing Shares on issue.

Voting at a general meeting	At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.
Meetings of members	Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules.
Dividends	The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment
Transfer of shares	Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by a written instrument of transfer that complies with the Constitution or by any other method permitted by the Corporations Act, Listing Rules or ASX Settlement Operating Rules. The Board may refuse to register a transfer of Shares where the transfer is not in registrable form, the Company has a lien over any of the Shares transferred, and where otherwise permitted to do so under the Corporations Act, Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, Listing Rules or ASX Settlement Operating Rules.
Issue of further shares	Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of further Shares on such terms and conditions as the Board resolves.
Winding up	If the Company is wound up, then subject to any rights or restrictions attached to a class of Shares, any surplus must be divided among the Company's members in proportion to the number of Shares held by them. The amount unpaid on Shares held by a member is to be deducted from the amount that would otherwise be distributed to that member.

Unmarketable parcels	Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.
Share buy backs	Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares in itself on terms and at times determined by the Board.
Variation of class rights	<p>At present, the Company's only class of shares on issue is ordinary Shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:</p> <ul style="list-style-type: none"> • With the consent in writing of the holders of 75% of the issued shares included in that class; or • By a special resolution passed at a separate meeting of the holders of those shares.

8.2 Rights and liabilities attaching to New Options

The material terms and conditions of the Entitlement Options, Placement Options and Underwriter Options offered pursuant to this Prospectus are as follows:

(a) Entitlement

Each Option entitles the holder to subscribe for one Share in the Company upon exercise of the Option.

(b) Exercise Price

The amount payable upon exercise of each Option will be \$0.12 (**Exercise Price**).

(c) Expiry Date

Each Option will expire at 5.00pm (AEST) on 31 July 2022 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner acceptable to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 10 Business Days after the Exercise Date:

- (i) the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if the Company is admitted to the Official List of ASX at the time, apply for Official Quotation of Shares issued pursuant to the exercise of the Options.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(j) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(k) **Reconstruction**

In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be changed to the extent necessary to comply with the Listing Rules applying at the time.

(l) **Quotation and transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, and it is intended that application will be made to ASX for Official Quotation of the Options.

9. Additional Information

9.1 Company is a disclosing entity

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus” issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 9.3 below).

9.2 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

9.3 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (a) the annual financial report of the Company for the 12 month period ended 30 June 2019 (being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus) which was lodged with the ASX on 30 August 2019;
- (b) the half-yearly report for the 6 months ended 31 December 2019, which was lodged with the ASX on 27 February 2020; and
- (c) the following continuous disclosure notices given by the Company to notify the ASX of information relating to the Company during the period from 30 August 2019 (being the date of lodgement of the 2019 annual financial report with ASX) to the date of this Prospectus:

Date lodged	Title of ASX Announcement
01/07/2020	Trading halt
30/04/2020	Appendix 4C and Market Update
09/04/2020	COVID-19 Business Update and Withdrawal of FY20 Guidance
13/03/2020	Hydrix completes acquisition of AngelMed distribution rights
13/03/2020	Cleansing Notice
13/03/2020	Appendix 2A
13/03/2020	Proposed issue of Securities – HYD
10/03/2020	Issue of Employee Options under LTIP
10/03/2020	Appendix 3G
05/03/2020	Investor Presentation
27/02/2020	Half Year Trading Update
27/02/2020	Appendix 4D and Half-Yearly Report
31/01/2020	Appendix 4C and Market Update
19/12/2019	Appendix 3Y x2
19/12/2019	Hydrix Share Consolidation – Update
18/12/2019	Hydrix 2019 AGM Videos
17/12/2019	Cleansing Notice
17/12/2019	Appendix 3G
17/12/2019	Appendix 2A
17/12/2019	Appendix 3B
17/12/2019	Update – Consolidation / Split – HYD
12/12/2019	Constitution
12/12/2019	Results of 2019 AGM
12/12/2019	2019 AGM Chairman and CEO Presentation
12/12/2019	Hydrix Trading update
12/12/2019	Hydrix Leadership Appointments
27/11/2019	Appendix 3B – Share Purchase Plan
27/11/2019	Completion of Share Purchase Plan
18/11/2019	Application to begin commercial implants in Singapore
15/11/2019	Execution of Pure Asset Management Facility Agreement
15/11/2019	Consolidation / Split – HYD
15/11/2019	Notice of Annual General Meeting / Proxy Form
11/11/2019	Share Purchase Plan Booklet
08/11/2019	Cleansing Notice
08/11/2019	Appendix 3B
04/11/2019	Hydrix successfully raises \$2.5M
31/10/2019	Appendix 4G and Corporate Governance Statement
31/10/2019	2019 Annual Report to shareholders
31/10/2019	2019 Annual General Meeting Date
31/10/2019	Trading Halt
22/10/2019	US Study Validates AngelMed device
16/10/2019	Appendix 4C and Quarterly Update
10/10/2019	Investor Presentation
02/10/2019	Exclusive APAC distributorship of implantable cardiac device
16/09/2019	Hydrix Secures A\$5.0M Finance Facility
30/08/2019	FY19 Results Announcement
30/08/2019	FY19 Appendix 4E and Financial Report
30/08/2019	Change of Director's Interest Notice

The following documents are available for inspection throughout the period of the Offers during normal business hours at the registered office of the Company:

- (d) this Prospectus;
- (e) the Constitution; and
- (f) the consents referred to in Section 9.13.

9.4 Material Contracts

Other than contracts previously disclosed, the Company has entered into the following material contracts:

(a) Underwriting Agreement

Pursuant to an agreement between Henslow Pty Ltd (**Underwriter**) and the Company (**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).

(b) Facility Amendment Deed

Hydrix and the Lender are party to the Facility Agreement, under which the Lender provided Hydrix with a loan of \$4 million in December 2019. Under the terms of the Facility Agreement, the loan has a term of 48 months from the date of drawdown. The terms of the Facility Agreement are detailed in the Company's notice of 2019 annual general meeting.

Hydrix and the Lender have entered into a Facility Amendment Deed dated 30 June 2020, under which the terms of the Facility Agreement have been varied. The key terms of the Facility Amendment Deed are as follows:

- (i) **(Early prepayment and waiver of prepayment fees)** Hydrix has agreed to repay \$750,000 of the loan to the Lender by 31 July 2020, and the Lender has agreed to waive all prepayment fees on those amounts under the Facility Agreement (which would ordinarily have been payable where prepayments were made by Hydrix prior to the loan maturity date of December 2023). Any prepaid amounts will not be available for re-borrowing. As at the date of this Prospectus, Hydrix has repaid

\$500,000 to the Lender; the remaining \$250,000 will be paid from the proceeds of the Entitlement Offer. In addition, subject to Shareholder approval being obtained for the proposed amendments to the Warrant Deed at the Company's 2020 AGM (refer to Section 9.4(b)(iv)), the Lender will waive all prepayment fees on any prepayment or repayment made by Hydrix after its 2020 AGM.

- (ii) **(Reduction in financial covenants and reporting requirements)** The nature and extent of Hydrix's financial covenants under the Facility Agreement have been reduced and simplified in favour of Hydrix, such that Hydrix has fewer reporting requirements and covenant compliance obligations under the varied agreement.
- (iii) **(Termination of Working Capital Facility)** Hydrix and the Lender have agreed to formally terminate the additional \$1 million Working Capital Facility, which was previously available to the Company under the Facility Agreement, but remained undrawn by Hydrix. Accordingly, the Working Capital Facility Warrant (which was issued to the Lender by the Company in December 2019 as part consideration for the Working Capital Facility) has lapsed, and has been cancelled for nil consideration.
- (iv) **(Changes to terms of Refinance Facility Warrant)** In December 2019, the Company issued the Refinance Facility Warrant to the Lender under the Facility Agreement. The terms of the Refinance Facility Warrant are governed by the Warrant Deed between Hydrix and the Lender, and were disclosed in the Company's notice of 2019 annual general meeting. Under the terms of the Warrant Deed, the Refinance Facility Warrant is exercisable into 8,000,000 new Shares (each a **Refinance Facility Warrant Share**) at the Refinance Facility Exercise Price per Share, being the lower of:

(a) \$0.50 (or as otherwise adjusted for reorganisations of capital); and

(b) the TERP per Share of any new issue of Shares where the total number of Shares on issue as a result of the new issue results in the Company's total share capital increasing by more than 15% (whether as a result of one issuance or a series of related-issuances) when compared with the Company's total share capital immediately prior to that new issue of Shares, and

where paragraph (b) above does not apply to new issues of Shares occurring before 1 July 2020 or made under an exception set out in ASX Listing Rule 7.2.

Hydrix and the Lender have agreed to amend the definition of Refinance Facility Exercise Price under the Warrant Deed, subject to Shareholder approval, which the Company is required to seek at its 2020 AGM.

The new proposed definition of Refinance Facility Exercise Price per Share is as follows:

"the lower of the following per Refinance Facility Warrant Share:

(a) \$0.50 (or as otherwise adjusted for reorganisations of capital); and

(b) if the Company makes an issue, or series of related issuances, of Shares that results in the total number of issued Shares increasing by more than 15% (when compared with the total number of issued Shares immediately prior to that issue or series of issuances):

(i) the TERP per Share of that issue; or

- (j) *in the case of a series of issuances, the volume weighted TERP per Share of those issuances, and*

Paragraph (b) applies to any new issue of Shares occurring on or after 1 June 2020 and may apply on more than one occasion.”

The Company intends to seek Shareholder approval under Listing Rule 6.23.4 for the proposed amendments to the Refinance Facility Warrant terms at its 2020 AGM (or any earlier general meeting). Where the proposed amendments are approved by Shareholders, the issue of Entitlement Shares under the Entitlement Offer will be an issue of Shares which comes within paragraph (b) of the amended definition of Refinance Warrant Exercise Price.

In the event that Shareholder approval is not obtained by Hydrix at its 2020 AGM, the interest rate payable on outstanding amounts under the Refinance Facility will increase from 10% per annum to 17% per annum, effective from the date of the 2020 AGM. In addition, a penalty fee computed at the rate of 7% per annum on the Refinance Facility, accruing daily during the period commencing on (and including) 1 August 2020 and ending on (but excluding) the date of the 2020 AGM, will be payable on the first business day after the 2020 AGM. This penalty fee will not be payable if the relevant Shareholder approval is received at the 2020 AGM.

- (v) **(Equity capital raising)** Hydrix must, on or before 31 July 2020, raise a minimum \$1,500,000 of new capital by way of issuing Shares. The Company intends to comply with this requirement by way of completing the fully underwritten Entitlement Offer in accordance with the Indicative Timetable.

(c) **Other financing arrangements**

- (i) The Company is party to the following loan agreements:
- (A) A loan agreement of with E.L.G Nominees Pty Ltd (**ELG**), an entity associated with Director Joanne Bryant, under which ELG has provided a loan of \$1,000,000 to the Company (**ELG Loan**); and
 - (B) A loan agreement with John W King Nominees Pty Ltd (**King**), a major shareholder and related party of the Company, under which King has provided a loan of \$1,750,000 to the Company (**King Loan**).
- (ii) The key terms of the ELG Loan and King Loan are as follows:
- (A) **(Repayment dates)**: The repayment dates of the ELG Loan and King Loan are 17 March 2022 and 31 December 2022 respectively. Notwithstanding this, ELG and King have each agreed not to request for repayment of their respective loans, until such time that the Company has fully repaid all outstanding amounts owing to the Lender under the Facility Agreement (as amended).
 - (B) **(Interest)**: Interest of 6% per annum will accrue on each of the ELG Loan and King Loan, payable quarterly in arrears.
 - (C) **(Security)**: The ELG Loan and King Loan are unsecured.

(d) **LumiMEMS patents**

- (i) **Background**

Prior to the Company's acquisition of the Hydrix business and assets in 2017, the Company (then known as Panorama Synergy Limited) developed certain patents relating to the LumiMEMs technology (**Patents**) in conjunction with the University of Western Australia (**UWA**), under a research and development partnership. Subsequent to the Company's acquisition of the Hydrix business in 2017, the Company shifted its focus away from the Panorama business (including by terminating its collaboration partnership with UWA), in order to focus on its newly acquired Hydrix business.

The Patents represent legacy non-core assets of Hydrix, which do not form part of Hydrix's current business strategy.

Notwithstanding the termination of the UWA partnership (and associated agreements) in early 2018, the Company owed to UWA an outstanding amount of approximately \$188,000 (relating to licence fees and patent application costs) under a licence agreement.

(ii) **Deed of release**

The Company and UWA have entered into a deed of release, under which:

- (A) UWA has discharged the Company from its obligations to pay the outstanding amount of approximately \$188,000, in exchange for the Company assigning the Patents to UWA; and
- (B) mutual releases have been provided by each party with respect to any claims under the relevant (terminated) agreements between UWA and Hydrix.

9.5 Information excluded from continuous disclosure notices

Other than as disclosed in this Prospectus, there is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

9.6 Market price of Shares

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$0.14 per Share on 30 April 2020
Lowest:	\$0.08 per Share on 22 April 2020

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.10 per Share on 30 June 2020.

The issue price of New Shares under the Entitlement Offer and Placement Offer of \$0.075 per Share represents a 20% discount to the VWAP calculated over the 10 trading days prior to the date of this Prospectus and a 27% discount to the VWAP over the 30 trading days prior to the date of this Prospectus.

9.7 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

9.8 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

9.9 Interests of Directors

(a) Information disclosed in this Prospectus

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (iv) as an inducement to become, or to qualify as, a Director; or
- (v) for services provided in connection with the formation or promotion of the Company, or the Offers.

(b) Security holdings

The relevant interests of each of the Directors in Securities as at the date of this Prospectus is set out below:

Director	Shares	Options ¹⁶	Performance Rights ¹⁷
Gavin Coote	1,643,912	125,000	500,000
Julie King	15,639,345	625,000	nil
Paul Wright	327,586	nil	300,000
Joanne Bryant	1,136,287	125,000	nil

(c) Remuneration

The Constitution provides that the Non-Executive Directors may be paid out of the funds of the Company, an amount of approved fees which:

- (i) does not:

¹⁶ All Options held by Directors are each exercisable at \$0.80, on or before 31 July 2020.

¹⁷ Refer to Section 6.1(b) for further details in respect to the terms of the Performance Rights.

- (A) in any year exceed in aggregate the amount last fixed by ordinary resolution (being \$500,000); or
- (B) consist of a commission on or percentage of profits or operating revenue; and
- (ii) is allocated among them:
 - (A) on an equal basis having regard to the proportion of the relevant year for which each Director held office; or
 - (B) as otherwise decided by the Board; and
- (iii) is provided in the manner the Board decides, which may include the provision of non-cash benefits.

If the Board decides to include non-cash benefits in the approved fees of a Director, the Board must also decide the manner in which the value of those benefits is to be calculated.

If a Director, at the request of the Board and for the purposes of the Company, performs extra services or makes special exertions (including going or living away from the Director's usual residential address), the Company may pay that Director a fixed sum set by the Board for doing so. Remuneration under this rule may be either in addition to or in substitution for any remuneration to which that Director is already entitled.

A Director may also be reimbursed for out of pocket expenses incurred by the Director in attending meetings, on the business of the Company or in carrying out duties as a Director.

Directors received the following remuneration for the last two financial years ended 30 June 2020 and 30 June 2019:

Table of benefits and payments for the financial year ended 30 June 2020

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	
	\$	\$	\$	\$	\$	\$
Directors						
Mr Gavin Coote ¹	192,260	100,900	12,565	1,107	92,770	399,602
Ms Julie King	45,600	-	-	-	-	45,600
Ms Joanne Bryant	45,600	-	-	-	-	45,600
Mr Paul Wright ¹	42,627	45,000	3,956	-	55,662	147,245
Total	326,087	145,900	16,521	1,107	148,432	638,047

¹ Non-salary short-term benefits relate to professional fees payable to Mr Gavin Coote and Mr Paul Wright for consultancy and advisory work performed by them outside the scope of their roles as director; the fees are at arm's length rates agreed by the Board.

Table of benefits and payments for the year ended 30 June 2019

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	
	\$	\$	\$	\$	\$	\$
Directors						
Mr Gavin Coote ¹	60,000	132,065	-	-	229,336	421,401
Ms Julie King	48,000	-	-	-	-	48,000
Ms Joanne Bryant	48,000	-	-	-	-	48,000
Mr Paul Wright ²	40,183	-	3,817	-	-	44,000
Total	196,183	132,065	3,817	-	229,336	561,401

¹ Non-salary short-term benefits relate to professional fees payable to Mr Gavin Coote for consultancy and advisory work performed by him outside the scope of his role as Director; the fees are at arm's length rates agreed by the Board.

² Mr Paul Wright was appointed to the Board on 8 August 2018.

9.10 Related party transactions

Related parties of the Company may participate as sub-underwriters of the Entitlement Offer, pursuant to sub-underwriting arrangements entered into directly with the Underwriter.

As at the date of this Prospectus, Director Paul Wright has disclosed his intention to sub-underwrite 365,000 Shares under the Entitlement Offer, in addition to taking up his full Entitlement under the Offer. As a related party sub-underwriter, Mr Wright will not be entitled to receive any Underwriter Options in respect of his sub-underwriting. In addition, Mr Wright has advised the Company and the Underwriter that he intends to waive his entitlements to receive an arranging fee in respect of his sub-underwriting.

The number of New Securities that may be issued to any related party sub-underwriters in respect of their sub-underwriting is not currently known, and will depend on the level of Shortfall, and the extent to which their sub-underwriting commitments are called upon by the Underwriter.

Save for as otherwise disclosed in this Prospectus, there are no other related party transactions involved in the Offers.

9.11 Substantial Shareholders

Based on information known to the Company as at the date of this Prospectus, those persons which together with their associates have a voting power in 5% or more of the Shares on issue are set out below:

Substantial holder	Number of Shares	% of Share capital
John W King Nominees Pty Ltd and associates	16,682,650	20.95

9.12 Interests of other persons

Except as disclosed in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or:
- (c) underwriter (but not a sub-underwriter) to the issue or sale or a financial services licensee named in the prospectus as a financial services licensee involved in the issue or sale,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with the formation or promotion of the Company, or the Offers.

Holding Redlich has acted as solicitors to the Company in relation to the Offers. The Company estimates that it will pay fees of approximately \$45,000 (plus GST) for these services.

During the 24 months preceding lodgement of this Prospectus with ASIC, Holding Redlich has been paid fees totalling \$233,818 (excluding GST and disbursements) for the provision of legal and corporate secretarial services to the Company.

Henslow will be paid fees as set out in Section 9.4(a) in relation to its services as Underwriter and Lead Manager to the Entitlement Offer. In addition, Henslow is entitled to be paid a 2% management fee on the total amount raised under the Placement Offer.

During the 24 months preceding lodgement of this Prospectus with ASIC, Henslow has been paid fees totalling \$272,640 (excluding GST) for the provision of capital raising services to the Company, and \$133,758 (excluding GST) for corporate advisory services.

9.13 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Securities under this Prospectus), the Directors, and any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

- in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

The below parties have consented to being named in the Prospectus and to the distribution of the Prospectus:

- (a) Holding Redlich has given its written consent to being named as the Solicitors to the Company in this Prospectus; and
- (b) Henslow Pty Ltd has given its written consent to being named as the Underwriter and Lead Manager to the Company in this Prospectus.

None of the above parties have authorised or caused the issue of the Prospectus or the making of the Offers. No party has withdrawn its consent prior to lodgement of this Prospectus with ASIC.

9.14 Estimated costs and expenses of the Offers

The estimated costs and expenses (excluding GST) payable by the Company in relation to the Offers are set out below. These costs and expenses will be funded by the proceeds of the Entitlement Offer and Placement Offer.

Fees/Expenses	\$
ASIC & ASX fees	\$20,000
Lead Manager and Underwriting fees of the Offers	\$140,000
Legal fees	\$45,000
Printing and mailing expenses	\$20,000
Other miscellaneous costs (including Share Registry fees)	\$25,000
Total	\$250,000

9.15 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by an Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.16 Enquiries

For general Shareholder enquiries or enquires regarding this Prospectus or the Offers, please contact the Company Secretary on Alyn.Tai@hydrix.com.

For enquiries concerning the Application Form or your shareholding in the Company, please contact the Share Registry, Boardroom Pty Limited, on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

10. Directors' Authorisation

This Prospectus is dated 6 July 2020 and is issued by Hydrix Limited.

The Directors have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of Hydrix Limited has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of Hydrix Limited



Gavin Coote
Executive Chairman
6 July 2020

11. Glossary

Additional New Securities has the meaning given to that term by Section 1.9.

Additional New Shares has the meaning given to that term by Section 1.9.

AEST means Australian Eastern Standard Time.

Applicant means a person who submits an Application.

Application means a valid application for Securities pursuant to the Offers, whether through submission of an Application Form accompanied by the relevant Application Monies, or arranging for payment of the relevant Application Monies through BPAY® in accordance with the instructions on the Application Form.

Application Form means an application form accompanying this Prospectus in respect of either the Entitlement Offer, Placement Offer or the Underwriter Offer.

Application Monies means the amount of money in dollars and cents payable for New Shares at \$0.075 per New Share pursuant to the Offers.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the securities exchange operated by ASX Limited (as the context requires).

Board means the board of Directors of the Company.

Business Day means any day which is defined to be a Business Day pursuant to Listing Rule 19.12 of the Listing Rules.

CHESS means Clearing House Electronic Sub-register System of ASX Settlement Pty Ltd (ACN 008 504 532).

Closing Date means the closing date of the Entitlement Offer being 5.00pm (AEST) on Thursday, 23 July 2020 (unless extended).

Company or **Hydrix** means Hydrix Limited (ACN 060 369 048).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company.

Dollars, \$ and cents are references to Australian currency.

Eligible Applicant means:

- (a) in respect of the Entitlement Offer, an Eligible Shareholder;
- (b) in respect of the Placement Offer, an eligible investor invited by the Company and Underwriter to participate in the Placement; and
- (c) in respect of the Underwriter Offer, the Underwriter and a sub-underwriter (who is not a related party of the Company).

Eligible Shareholder means a person registered as a holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the pro-rata entitlement of a Shareholder to subscribe for Entitlement Shares under the Entitlement Offer, being one Entitlement Share for every existing three Shares held on the Record Date, with one Entitlement Option for every three Entitlement Shares subscribed for under the Entitlement Offer, subject to rounding and to the terms of the Entitlement Offer.

Entitlement Offer means the non-renounceable pro-rata entitlement offer under this Prospectus of approximately 26,540,754 Entitlement Shares, at an issue price of 7.5 cents per Entitlement Share, together with one free Entitlement Option for every three Entitlement Shares issued, further details of which are included in Section 1.1 of this Prospectus.

Entitlement Options means the Options, each exercisable at 12 cents and expiring on 31 July 2022, to be issued as free attaching Options to subscribers of Entitlement Shares under the Entitlement Offer, on the basis of one free Entitlement Option for every three Entitlement Shares subscribed.

Entitlement Shares means the Shares offered under the Entitlement Offer, at an issue price of 7.5 cents per Entitlement Share.

Facility Agreement means the facility agreement dated 15 November 2019 between the Lender, the Company and its subsidiaries, as announced by the Company on 15 November 2019 and further described in the Company's Notice of 2019 Annual General Meeting.

Facility Amendment Deed means the deed of amendment dated 30 June 2020 between the Lender, the Company and its subsidiaries, under which the terms of the Facility Agreement have been varied, as described in Section 9.4(b).

GST means goods and service tax levied in Australia pursuant to *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Indicative Timetable means the indicative timetable (as varied from time to time) of the Offers under this Prospectus as outlined on page 4 of this Prospectus.

Ineligible Foreign Shareholder means a person registered as a holder of Shares on the Record Date whose registered address is not in Australia or New Zealand.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Lender means Pure Asset Management Pty Ltd ABN 46 616 178 771 in its capacity as trustee for The Income and Growth Fund.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Securities are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

New Options means the Options offered under this Prospectus, being the Entitlement Options, Placement Options and Underwriter Options.

New Securities means the New Options and New Shares.

New Shares means the Shares offered under this Prospectus, being the Entitlement Shares and the Placement Shares.

Offers means the Entitlement Offer, the Placement Offer, and the Underwriter Offer made under this Prospectus.

Official List means the official list of ASX.

Official Quotation means quotation of Securities on the Official List.

Option means an option to acquire a Share in the capital of the Company and includes an Entitlement Option, a Placement Option, and an Underwriter Option (as the context requires).

Optionholder means the holder of an Option.

Placement or **Placement Offer** means the offer of Placement Shares and Placement Options under this Prospectus.

Placement Options means the Options, each exercisable at 12 cents and expiring on 31 July 2022, to be issued as free attaching Options to subscribers of Placement Shares under the Placement Offer, on the basis of one free Placement Option for every three Placement Shares subscribed.

Placement Shares means the Shares offered under the Placement Offer, at an issue price of 7.5 cents per Placement Share.

Prospectus means this prospectus dated 6 July 2020.

Record Date means 7.00pm (AEST) on Thursday, 9 July.

Section means a section of this Prospectus.

Securities means any securities including Shares or Options issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Registry means Boardroom Pty Limited.

Shortfall means those Entitlement Shares offered under the Entitlement Offer not validly applied for by Shareholders under their Entitlements by the Closing Date, and which will revert to the Shortfall Facility or to the Underwriter and/or sub-underwriters.

Shortfall Facility has the meaning given to that term by Section 1.9.

Underwriter or **Lead Manager** means Henslow Pty Ltd (ABN 38 605 393 137).

Underwriter Offer means the offer of the Underwriter Options pursuant to this Prospectus.

Underwriter Options has the meaning given to that term in Section 1.2.

Underwriting Agreement means the underwriting agreement dated on or around the date of this Prospectus between the Underwriter and the Company, the terms of which are summarised in Section 9.4(a).

Warrant Deed means the warrant deed dated 15 November 2019 between the Lender and the Company, which was entered into as a condition of the Facility Agreement, and further described in the Company's Notice of 2019 Annual General Meeting.