

30 June 2020 Quarter Activity Report & Appendix 4C

4QFY20 & FY20 Highlights¹:

- FY20 operating revenue (preliminary and unaudited) of \$15.0m, up 12.6% on FY19, despite impacted COVID-19 4QFY20 revenue of \$3.0m;
- 4Q20 cash operating profit² of \$0.02m, driven by swift implementation of cost reduction initiatives;
- FY20 cash operating loss² of \$0.26m, a significant improvement of \$1.69m year on year;
- Capital raise of \$3.0m from a fully underwritten entitlement offer and placement;
- Pro forma 30 June cash on hand of \$4.2m after \$0.75m debt reduction;
- \$50m Services pipeline is a solid book of business to generate conversions from; and
- First sales (implants) of Angel Medical Inc. (**AngelMed**) Guardian devices in Singapore are scheduled in the September quarter (1Q'21).

Hydrix Limited ('**Hydrix**' or 'the **Company**') (ASX: **HYD**) today released its Appendix 4C for the three months ended 30 June 2020 (**4Q20**) and a business update for 4Q20.

Hydrix Executive Chairman, Gavin Coote, said:

"The fourth quarter and full year results represent a solid performance despite the challenging COVID-19 environment. It was particularly pleasing that the core business achieved a cash operating profit in the fourth quarter. We made significant progress with Hydrix Medical acquiring the exclusive rights to distribute the AngelMed Guardian System in APAC. Further, we are pleased to announce the first sales and implants of the Guardian System are anticipated to commence in Singapore in the September quarter. Overall, the quarter reflects significant progress of the Company's growth strategy."

Business and financial update ⁽¹⁾:

Hydrix Services achieved operating revenues of \$3.0 million in 4QFY20, with the effects of COVID-19 resulting in the slowing and deferral of some contract conversions. Notwithstanding this, the \$50 million plus pipeline provides for a solid book of business to work from in the year ahead.

Despite the impact of COVID-19, in 4QFY20 the Company achieved a quarterly cash operating profit². This was the result of swift action by management to implement cost saving initiatives, resulting in monthly cost reductions of ~20%.

FY20 full year cash operating loss was \$0.26 million, a significant improvement of \$1.69 million compared to the prior year's result. Operating revenues for the year were \$15.0 million compared to \$13.3 million in the prior year, a 12.6% increase. Cash on hand at 30 June 2020 was approximately \$4.2 million on a pro forma basis, after paying down \$0.75 million of debt and taking into account net funds received from the fully underwritten entitlement offer and funds to be received from placement (announced in July 2020).

Hydrix Medical incurred costs of approximately \$0.12 million in 4QFY20, as it continued to progress planning of regulatory and reimbursement approvals, and personnel, marketing and transaction costs incurred to establish and acquire the exclusive rights to distribute the AngelMed Guardian System.

The significant progress of operating and strategic initiatives implemented in the fourth quarter, and successful capital raise completed in July 2020, set the business up well for FY2021.

Hydrix Ventures

Hydrix leverages its deep commercial market insights, product innovation capability and technical expertise to pick winning investments in high potential medical technologies. Hydrix invests in clients to share in the upside of value created. Equity positions are established with cash, equity in-kind from services rendered or both. Early stage client investments include Angel Medical Systems, Inc., (early warning heart attack alert device), Gyder Surgical Pty Ltd (intra-operative surgical navigation tool), Cyban Pty Ltd (brain trauma injury monitor), and Memphasys (ASX: MEM)(bio-separation medical device).

Hydrix Medical

On 13 March 2020, Hydrix announced that it had been granted the exclusive rights by AngelMed to distribute its Guardian System, an implantable heart-attack warning device. The distribution rights cover eight Asia Pacific countries in which over 500,000 people suffer annually an acute coronary syndrome event (including silent heart attacks).

These patients represent a large addressable market opportunity for Hydrix. For context, a 1% market share in the top four Asia Pacific countries that Hydrix is initially targeting could translate into over \$35 million in annual Guardian System sales revenue for Hydrix.

The Company is pleased to announce the first sales and implants are scheduled in Singapore in the September quarter, where early access scheme approval has been granted and preparatory work completed. Hydrix is also well progressed with planning to submit for early access scheme approvals in Australia and continues to consult with key stakeholders in this regard. Subject to reaching commercial and regulatory arrangements, and COVID-19 disruptions, there is potential for first sales and implants in Australia in the December 2020 quarter.

Hydrix Medical is responsible for gaining all regulatory approvals for commercial sales in jurisdictions under the distribution agreement. Submission to the various regulatory authorities can begin once AngelMed is granted FDA approval for the upgraded implanted device, anticipated to occur in the March quarter of 2021.

Capital Management

Hydrix successfully completed a \$3.0 million capital raise, via a \$2.0 million fully underwritten 1 for 3 pro rata non-renounceable entitlement offer and a \$1.0 million placement to sophisticated investors. Participating shareholders also received one free attaching option for every three new shares subscribed for with an exercise price of \$0.12, expiring on 31 July 2022.

Funds raised have been used to repay \$0.75 million of debt to the Company's facility lender Pure Asset Management Pty Ltd (**Lender**) and provide working capital and balance sheet support to accelerate key growth initiatives including in Hydrix Medical.

Completion of the \$1.0 million placement is subject to shareholder approval under ASX Listing Rule 7.1, which the Company intends to seek at an extraordinary general meeting to be convened in early September 2020. Further details of this meeting will be set out in a Notice of Meeting to be lodged with ASX in the coming weeks.

The aggregate number of payments made during the quarter to related parties and their associates (referred to in item 6.1 of the accompanying Appendix 4C (quarterly cash flow report) comprise full-time salary payments to the Executive Chairman, and payments of directors' fees to all Directors.

(1) All numbers are unaudited

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

-ENDS-

Authorisation: This announcement is authorised for release by the Board of Directors of Hydrix Limited.

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About Hydrix Limited

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix purpose is to enhance the health, safety, and wellbeing of 1 billion lives. The company leverages its powerful product innovation capability across multiple growth platforms. These platforms include **Hydrix Services** design and engineering to create products which transform markets; **Hydrix Ventures** to pick winning investments in high potential innovative products; and **Hydrix Medical** to create new product revenue streams bringing cardiovascular technologies to market which improve patient mobility and quality of life.

Appendix 4C

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

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,016	16,020
1.2 Payments for		
(a) research and development	-	(4)
(b) product manufacturing and operating costs	(253)	(1,388)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(2,800)	(12,769)
(f) administration and corporate costs	(240)	(3,059)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(101)	(505)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	733	733
1.8 Other (transaction costs)	(79)	(602)
1.9 Net cash from / (used in) operating activities	276	(1,574)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(54)
(d) investments	(200)	(1,013)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(204)	(1,067)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,568
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(5)	(225)
3.5	Proceeds from borrowings	-	5,500
3.6	Repayment of borrowings	(500)	(3,500)
3.7	Transaction costs related to loans and borrowings		(247)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(505)	4,096

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,123	235
4.2	Net cash from / (used in) operating activities (item 1.9 above)	276	(1,574)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(204)	(1,067)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(505)	4,096
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,690	1,690

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,690	2,123
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,690	2,123

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount at 6.1 includes full-time salary payments to the Executive Chairman, and payments of directors' fees to all directors.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,250	6,250
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,250	6,250

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security
E.L.G. Nominees Pty Ltd*	\$ 1,000,000	6%	17/03/2022	Unsecured
John W King Nominees Pty Ltd**	\$ 1,750,000	6%	31/12/2022	Unsecured
Pure Asset Management Pty Ltd ATF The Income and Growth Fund	\$ 3,500,000	10%	6/12/2023	Secured

*E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company.

**John W King Nominees Pty Ltd is a company associated with John King, a related party of the Company.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	276
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,690
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,690
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company continued efforts in the June quarter to reduce net operating cash outflows to manage business risks anticipated from the impact of COVID-19, including reducing non-essential expenditure, reducing labour costs (including all employees moving to a 4-day work week through the September quarter), and accessing Government stimulus packages.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company completed a \$3.0m capital raise, via a \$2.0m fully underwritten 1 for 3 pro rata non-renounceable entitlement offer and a \$1.0m Placement in July 2020. The funds from the entitlement offer have been received by the Company. The funds under the Placement are subject to shareholder approval which will be sought at an Extraordinary General Meeting of shareholders in September 2020.

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

Answer: The Company expects to be able to continue its operations and meet its business objectives based on cash on hand, the addition capital raised in July 2020, and taking into account management actions to reduce net operating cash out flows, described above.

Compliance statement

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

Date: 30 July 2020

Authorised by the Hydrix Limited Board of Directors

Notes

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