

**30 September 2020 Quarterly Activity Report & Appendix 4C****1Q21 Business & Financial Highlights<sup>1</sup>:**

- 1Q21 Group revenue of \$2.8m and cash operating loss<sup>2</sup> of \$0.24m;
- 30 September cash on hand \$3.8m;
- Services revenue pipeline of \$50m+;
- Four sales (implants) of Angel Medical Guardian devices; and
- Two Good Design Awards

**Hydrix Limited** (ASX: **HYD**) ('**Hydrix**' or 'the **Company**') today released its business update and Appendix 4C for the three months ended 30 September 2020 (**1Q21**).

**Hydrix Executive Chairman, Gavin Coote, commented on the quarter:**

*"In a very challenging business environment due to COVID-19, the Company was able manage its operating costs to deliver a small cash operating loss<sup>2</sup> of \$0.24 million – comparable to Q1 last year, despite revenues being 30% lower.*

*"Hydrix met a significant milestone during the quarter with the first sales of the next generation AngelMed Guardian in Singapore. The rights to distribute this product in eight countries provides significant product revenue potential.*

*"We continue to evaluate several high potential 'Buy, Build, Invest' initiatives and further sales (implants) of the AngelMed Guardian under early access schemes.*

*"With a strong cash position, and more streamlined operations in place and healthy pipeline of future project work in the Services business, the Company remains focused on delivering a full year cash operating profit<sup>2</sup>."*

**GROUP FINANCIAL PERFORMANCE:**

Group revenues were \$2.8 million including \$2.0 million from Services and \$0.8 million in other income primarily from government support in relation to COVID-19 business disruptions.

The 1Q21 combined Hydrix Limited and Services cash operating loss<sup>2</sup> was \$0.24 million - similar to the comparative prior year first quarter period. Annualised operating costs have been reduced by 20%.

Hydrix Medical cash operating loss for the quarter was \$0.17 million, after recording \$42,000 of revenues.

In addition, one-time cash restructuring costs of \$0.19 million and \$0.12 million of non-recurring discretionary 'buy, build, invest' cost initiatives were incurred.

Interest paid on secured and unsecured debt was \$0.19 million.

**HYDRIX MEDICAL**

Hydrix Medical recorded \$42,000 in revenue and incurred recurring operating costs of approximately \$190,000 in 1Q21. Costs were primarily attributable to personnel in Australia and Singapore, field clinical engineering support for implants conducted during the quarter, marketing, and regulatory and reimbursement approval processes.

The Company was pleased to complete the first sales and implants of the next generation AngelMed Guardian in Singapore during the quarter, under an approved early access scheme, and continues to pursue more sales.

Hydrix continues to progress planning and consult with key stakeholders for early access scheme approvals in Australia. 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 AngelMed Guardian distribution agreement. Submission to the various regulatory authorities can begin once AngelMed is granted FDA approval for the upgraded device, anticipated to occur in the first quarter of calendar year 2021.

**HYDRIX SERVICES**

Hydrix Services recorded client revenues of \$2.0 million plus other income of \$0.75 million in 1Q21, achieving a small \$21,000 cash operating profit. This was slightly better than the comparable prior year 1Q, despite 30% lower revenues due to COVID-19 impacts.

The effects of COVID-19 on the business include reductions and deferrals to client budgets, interruptions to their funding and supply chains, and increased variability in the timing of project work. Notwithstanding this, the \$50 million plus pipeline provides for a solid book of business to work from. To manage international travel restrictions and grow the business, we are bringing forward initiatives to add international business development resources.

Hydrix secured a new project to develop a novel device with application in cardiac health and delivered a prototype device for use in managing brain trauma injury which the client successfully used on a patient in an ICU Ward. The team continues to advance proprietary engineering technology platforms and increase the value of our project management systems and product innovation capability. Hydrix and its client Memphasys (ASX: MEM) were awarded two 2020 Good Design Awards for its bio-separation device, Felix for use in human IVF procedures.

**HYDRIX VENTURES**

Hydrix Ventures completed its final tranche of its initial investment in Cyban, a non-invasive monitoring device for continuous measurement of brain tissue oxygen levels in patients who have suffered a brain trauma injury. Hydrix Ventures has a 7.5% equity stake in Cyban.

Hydrix Services continued project works with other Hydrix Ventures portfolio companies including Angel Medical Systems, Inc., (early warning heart attack alert device), Gyder Surgical Pty Ltd (intra-operative surgical navigation tool), and Memphasys (ASX: MEM) (bio-separation medical device).

## GROUP CAPITAL MANAGEMENT

During the quarter, Hydrix completed an oversubscribed \$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. Approximately 5.3 million options have subsequently been exercised, raising \$0.63 million in cash. The exercise of the remaining options, at \$0.12, would deliver a further \$2.4 million in cash to the Company.

Funds raised were used to repay \$0.75 million of debt (including \$0.25 million in the quarter) to the Company's facility lender Pure Asset Management Pty Ltd, and provide working capital and balance sheet support for key growth initiatives including in Hydrix Medical.

## OTHER DISCLOSURES

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.

During the quarters ended 30 June 2020 and 30 September 2020, the Executive Chairman and all Directors took a voluntary 20% temporary pay reduction in light of the COVID-19 business impacts.

*(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 (including Hydrix Medical) and other non-recurring costs. Rent occupancy costs have been included in EBITDA on a pro forma cash-cost basis.*

**-ENDS-**

This announcement was 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 September 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,285	2,285
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(477)	(477)
(c) advertising and marketing	(33)	(33)
(d) leased assets	-	-
(e) staff costs	(2,486)	(2,486)
(f) administration and corporate costs	(796)	(796)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(188)	(188)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	835	835
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(856)</b>	<b>(856)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(20)	(20)
(d) investments	(100)	(100)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(120)</b>	<b>(120)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,943	2,943
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	634	634
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(226)	(226)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(250)	(250)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,101</b>	<b>3,101</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,690	1,690
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(856)	(856)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(120)	(120)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,101	3,101
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,815</b>	<b>3,815</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,815	1,690
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,815</b>	<b>1,690</b>

**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**

194

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, payments of directors' fees, and payments of interest on funds borrowed from E.L.G Nominees Pty Ltd and John W King Nominees Pty Ltd.

**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.*

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

**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.

<b>Lender</b>	<b>Loan Amount</b>	<b>Interest rate (p.a)</b>	<b>Maturity date</b>	<b>Security</b>
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	\$ 3,250,000	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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(856)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,815
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,815
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>4</b>

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

1. 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: N/A

2. 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: N/A

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: N/A

## **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 October 2020**

This report has been authorised for release to the market by the Board of Hydrix Limited.

## **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.