ASX Announcement **29/07/2021**

Hydrix continues to make significant progress on medtech product growth strategy

Hydrix Limited ('**Hydrix'** or 'the **Company'**) (ASX: **HYD**) today released its Appendix 4C for the three months ended 30 June 2021 (**4Q20**) and year ending 30 June 2021 (FY21) along with a business update.

FY21 Business Highlights

- Made significant progress advancing medtech product growth strategy
- Commenced sales of AngelMed Guardian implants in Singapore *(completed 7 to date)* under special access scheme
- Received USA FDA approval for the upgraded AngelMed Guardian device
- Lodged Australian TGA regulatory and healthcare reimbursement applications
- Signed exclusive agreement to distribute Phyzhon Health's new cardiovascular catheter guidewire
- Established a first in human trial program with a Melbourne-based hospital to conduct first in human use of the Phyzhon guidewire
- Delivered scientific webinars introducing the benefits of the AngelMed Guardian to APAC Cardiology Key Opinion Leaders
- Added a special access scheme arrangement with a second Singapore-based cardiologist
- Made key executive appointments in USA and Australia to grow sales & operating capacity, ending the year with 65 employees

FY21 and 30 June 2021 Quarter Activity Report & Appendix 4C Highlights[1]

- 4Q21 Group revenues of $2.1m
- FY21 Group revenues of $9.5m
- 4Q21 Group net cash used in operating activities of $0.98m
- FY21 Group net cash used in operating activities of $3.25m
- Raised $13.0m and paid down $4.0m of debt in support of product-led growth strategy, and
- Pro forma cash of $9.0m: $6.65m of cash on hand plus $2.35m ASX listed in-the-money HYDO $0.12c Options

Hydrix Executive Chairman, Gavin Coote, provided the following business update

Hydrix continued to deliver on its medtech product growth strategy.

Key milestone achievements and progress made towards readying for commercial sales of cardiac products included receiving USA FDA approval for, and commencing initial implants of, the AngelMed Guardian heart attack alert device; lodging applications for regulatory approval with the Australian TGA and healthcare schemes for commercial reimbursement; and appointing experienced APAC Director Sales & Operations.

Government mandated COVID lockdowns and elective surgery embargos on hospitals are disrupting efforts to commence special access scheme implant programs in Australia. We will continue to navigate our way towards these important milestones, as we have done successfully in Singapore. In anticipation of forthcoming regulatory and reimbursement approvals in the CY2022 March quarter, we remain optimistic that commercial sales will commence in the CY2022 June quarter, leading to improved profitability.

Revenues from product development services were challenged by global COVID lock-down disruptions, impacting on global sales prospecting efforts, delaying underfunded early-stage Medtech clients progressing through to larger product development stages and deferring some large industrial and mining clients budgeted expenditures.

The pipeline of potential product development services programs remains healthy. We anticipate revenues remaining relatively flat for the remainder of CY2021, with potential upside and growth in CY2022 to come from commencing larger, well-funded product development programs.

The venture portfolio companies (AngelMed, CYBAN, Gyder, Memphasys) continued to make very good progress in product development and commercialisation efforts. A significant portfolio valuation uplift (>50%) is anticipated in the coming 6-12 months. Portfolio companies will commence various re-valuation activities including clinical trials, regulatory approvals, step-up rounds of capital raising, and commercial sales.

We continue to advance evaluations of several medtech "Buy, Build, Invest" initiatives intended to grow sales and investments in cardiac monitoring, diagnostics, and interventional products. As the leading cause of death worldwide, our focus on solving unmet cardiovascular patient needs through cardiac product development and sales presents a compelling market opportunity for Hydrix.

The significant advancements as a medtech product development and distribution business during the year positions the company for significant future earnings growth as we reach commercialisation milestones. We are successfully navigating the challenging COVID environment. We are confident our medtech product-led strategy, with an emphasis on innovative cardiac technologies, will create value for shareholders.

FY21 innovative medtech product development highlights

Hydrix operated ~40 product development programs at any given time during the year, varying in scale, scope, and value. Our powerful product innovation engine is world class, transforming ideas into real world commercial products primarily in medtech, but also in specialised environmental and safety industrial, mining and defence technology applications. Breakthrough product development programs which generated fee revenues and added to the value of our venture investments included:

- Non-invasive brain trauma injury (BTI) monitoring prototypes to use in early clinical studies intended to be developed into commercial products that create a new standard in patient care
- Improving ergonomics and functional control systems for a robotic exoskeleton to significantly improve patient and physician usability
- Safety critical software and electronics control device for novel mechanical heart pump
- Handheld medical device for use by orthopaedic surgeons intended into improve patient hip replacement surgery outcomes
- Cardiac technology device application intended to enable doctors and nurses to deliver better care in Neonatal Intensive Care Units
- In-house development of our proprietary LUDO system, a platform solution targeted at organisations developing Cardiac Assist Devices. Voice of Customer testing in the US and EU has just been completed with commercial launch imminent.

Outlook for FY22 and key outcomes planned

- Continued focus on medtech product development and distribution growth; *core emphasis remains on cardiac technologies which address unmet patient and healthcare needs*
- Commence special access scheme implants of Guardian device in Australia and New Zealand

- Receive AngelMed Guardian TGA regulatory approval and admittance to Australian healthcare reimbursement schemes, as early as the March quarter 2022, before commencing commercial sales
- Commence first in human trials of Phyzhon cardiac catheter guidewire at a Melbourne-based hospital. We are 'program ready' currently waiting on product from supplier
- Potential to expand Phyzhon clinical trials in support of Phyzhon's USA and European regulatory approval programs, and Hydrix TGA regulatory approval
- Anticipate moderate fee revenues from product development for the first half, potential upside to come from larger, well-funded product development programs (+$50M pipeline) leading to revenue growth, and improving productivity, margins, and profitability
- Appoint APAC distributors in South-East Asia to sub-distribute the Guardian device
- Present at the annual Cardiac Society of Australia and New Zealand (CSANZ) scientific forum the first week of August, raising awareness of the AngelMed Guardian heart attack alert device and Phyzhon cardiac catheter guidewire
- Advance "Buy, Build, Invest" medtech product initiatives currently under investigation
- Significant revaluations of Venture portfolio investments, and
- Pro forma cash supports current operations and product commercialisation efforts for the year ahead.

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

(1) All numbers are unaudited

-ENDS-

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

Contact Details: For more information, please contact:

Company Enquiries:
Gavin Coote
Executive Chairman
info@hydrix.com
+61 3 9550 8100

Media Enquires:
Rod North
Managing Director, Bourse Communications
rod@boursecommunications.com.au
+61 3 9510 8309

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	**Quarter ended ("current quarter")**
84 060 369 048	30 June 2021

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	2,851	9,718
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(250)	(1,324)
	(c) advertising and marketing	(28)	(112)
	(d) leased assets	-	-
	(e) staff costs	(3,153)	(10,361)
	(f) administration and corporate costs	(701)	(2,663)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	10
1.5	Interest and other costs of finance paid	(28)	(553)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	322	2,037
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(982)**	**(3,248)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(120)	(230)
	(d) investments	(50)	(150)
	(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**	**(170)**	**(380)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	12,943
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1	731
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(1,089)
3.5	Proceeds from borrowings	-	(4,000)
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(1)**	**8,585**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,800	1,690
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(982)	(3,248)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(170)	(380)

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)	(1)	8,585
4.5	Effect of movement in exchange rates on cash held	-	
4.6	**Cash and cash equivalents at end of period**	**6,647**	**6,647**

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	6,647	7,800
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)**	**6,647**	**7,800**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	216
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	2,250	2,250
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**2,250**	**2,250**

7.5	**Unused financing facilities available at quarter end**	-

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**	$ 1,250,000	6%	31/12/2022	Unsecured

*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)	(982)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,647
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,647
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**6.8**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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:

8.6.2 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:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 29/07/2021

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.