

## 1 Company Information

Name of entity:	HYDRIX LIMITED
ABN:	84 060 369 048
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

## 2 Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 2020-4 'Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions' for the year ended 30 June 2021. The Accounting Standard was adopted using the practical expedient and as such the Right-of-Use asset has not been remeasured.

Revenues from ordinary activities	down	41.4% to	\$ 9,311,738
(Loss) from ordinary activities after tax attributable to the owners of Hydrix Limited	up	203.7% to	(9,778,693)
(Loss) for the year attributable to the owners of Hydrix Limited	up	203.8% to	(9,780,602)

### Dividends

The consolidated entity does not propose to pay a dividend.

No dividend or distribution plans are in operation.

### Comments

For the financial year 2021, the consolidated entity recorded: a loss from ordinary activities after income tax of \$9,778,693 (2020: \$3,219,461) and net cash used in operating activities of \$1,933,245 (2020: \$196,954). The consolidated entity's loss reflects significant financial impact from COVID-19 disruptions to revenue generating activities of the entity's product development services business, ongoing investments in the medical product distribution business and venture investment portfolio, advancing technology platforms and intellectual property, and various other non-cash expense items including depreciation, amortisation and write-offs of intangible assets.

## 3 Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security (including right-of-use assets)	0.44	(7.01)

## 4 Control gained over entities

Not applicable.

## 5 Loss of control over entities

Not applicable.

**6 Details of associates and joint venture entities**

Not applicable.

---

**7 Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

---

**8 Other information required by Listing Rule 4.3A**

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the FY2021 Financial Report which accompanies this Appendix 4E.

---

**9 Attachments**

*Details of attachments (if any):*

The audited Financial Report of Hydrix Limited for the year ended 30 June 2021 is attached.

---

**10 Signed**



---

Mr Gavin Coote  
**Executive Chairman**  
Melbourne

Date: 31-August-2021



***HYDRIX LIMITED***  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**ABN: 84 060 369 048**

**Contents**  
**30 June 2021**

<b>Contents</b>	<b>Page</b>
Corporate Directory	5
Directors' Report	6
Auditors' Independence Declaration	18
Consolidated Statement of Profit & Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Financial Statements	23
Directors' Declaration	60
Independent Auditor's Report	61

**General information**

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**  
30-32 Compark Circuit  
Mulgrave VIC 3170

**Principal place of business**  
30-32 Compark Circuit  
Mulgrave VIC 3170

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

<b>Directors</b>	Mr Gavin Coote (Executive Chairman)  Ms Julie King (Non-Executive Director)  Ms Joanne Bryant (Non-Executive Director)  Mr Paul Wright (Non-Executive Director)
<b>Company Secretary</b>	Ms Alyn Tai
<b>Registered Office</b>	30-32 Compark Circuit Mulgrave VIC 3170 Phone: (03) 9550 8100
<b>Principal place of business</b>	30-32 Compark Circuit Mulgrave VIC 3170
<b>Share register</b>	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000
<b>Auditor</b>	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
<b>Solicitors</b>	Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000
<b>Stock Exchange Listing</b>	Hydrix Limited's shares are listed on the Australian Securities Exchange (ASX code: HYD)
<b>Websites</b>	<a href="http://www.hydrix.com">www.hydrix.com</a> <a href="http://www.hydrixmedical.com">www.hydrixmedical.com</a>
<b>Country of incorporation and domicile</b>	Australia

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hydrix Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

#### **Directors**

The following persons were directors of Hydrix Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

##### **Mr Gavin Coote**

*Executive Chairman*

*Appointed as Non-Executive Director 12 January 2017; appointed as Non-Executive Chairman 28 March 2017; appointed as Executive Chairman 1 January 2020*

Mr Coote brings 25+ years executive leadership in corporate and financial strategy, and private equity. His experience includes 5 years with PricewaterhouseCoopers in Australia and the USA, a decade in technology mergers & acquisitions, corporate development, and venture investing in the United States, and fifteen years in Australian private equity in various sectors healthcare, industrial and residential construction materials, leisure and hospitality, and sports and entertainment.

He has played significant roles in several turnaround and acquisition-led growth strategies culminating in successful trade sales. These include NASDAQ-listed Platinum Technology Inc., where revenues grew from \$100 million to over \$1 billion in 4 years driven by organic revenue growth and 40+ acquisitions, and eventually sold to CA Technologies for \$3.5 billion, and several above-average SME private-equity exits.

Gavin has a Bachelor of Economics & Politics (Accounting) from Monash University, a Masters of Business Administration from University of Michigan, and is a Graduate of the Australian Institute of Company Directors.

##### **Ms Julie King**

*Non-Executive Director*

*Appointed 28 March 2017*

Ms King holds a Bachelor of Commerce degree from the University of Melbourne. With 40 years' experience in various industries including utilities, maritime, airline, banking and FMCG, she is a specialist in commercial negotiations and leading high performance leadership and culture programs. Ms King currently operates a private philanthropic family Foundation and is a Graduate of the Australian Institute of Company Directors.

##### **Ms Joanne Bryant**

*Non-Executive Director*

*Appointed 29 November 2016*

Ms Bryant brings more than 40 years' of experience in the health sciences as an occupational therapist, trainer and vocational specialist. Currently, she is using this expertise to provide forensic opinion as a vocational specialist to the Victorian court system in addition to running a small clinical practice. She has worked for many years as an approved Rehabilitation Provider, providing injury management services to both Commonwealth and State organisations. Ms Bryant is a Member of the Australian Association of Occupational Therapists and a member of the GriefLine Board. She also manages a small privately owned investment company.

##### **Mr Paul Wright**

*Non-Executive Director*

*Appointed 8 August 2018*

Mr Wright has spent the last 18 years as CEO of three of Australia's leading international technology companies. At ASX-listed Universal Biosensors ("UBI"), Paul built long term partnerships with global diagnostics leaders Siemens Healthcare and Johnson & Johnson, and led the company through a period of strong growth and new product development. Before UBI, Paul was CEO of Invetech (1999-2007), an internationally renowned product design and development company, and Vision BioSystems (2007-2008), the major subsidiary of ASX-listed Vision Systems Limited that developed, manufactured and marketed diagnostic instruments and consumables to pathology laboratories worldwide.

Prior to this, Paul spent over 8 years working in Europe, North America and Asia with corporate strategy consultants Bain & Company, advising multi-national clients on growth strategy, mergers and acquisitions, and manufacturing improvement. As General Manager of Corporate Development at TNT Logistics, Paul played a key role in the development of a major contract logistics business in Asia establishing Joint Venture businesses in China, Malaysia, and Indonesia.

Paul has a Masters Degree in Engineering from the University of Cambridge, has studied corporate finance at the London Business School, and is a Fellow of the Australian Institute of Company Directors.

#### **Other current directorships**

Paul Wright is a director of Memphasys Limited (ASX: MEM).

**Company secretary**

Ms Alyn Tai LLB (Hons) has held the role of Company Secretary since June 2016. She is a Partner with law firm Holding Redlich specialising in corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

Director	Board of Directors' Meetings		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Gavin Coote	17	17	-	-	-	-
Ms Julie King	17	17	2	2	2	2
Ms Joanne Bryant	17	17	2	2	2	2
Mr Paul Wright	17	17	2	2	2	2

Held: represents the number of meetings held during the time the director held office.

**Interest in the shares and options of the company**

At the date of this report, the relevant interests of directors in the company's securities were:

Director	No. of Ordinary Shares	No. of Options	No. of Performance Rights
Mr Gavin Coote (i)	2,441,883	182,657	750,000
Ms Julie King (ii)	17,639,345	666,667	-
Ms Joanne Bryant (iii)	1,515,051	126,256	-
Mr Paul Wright (iv)	951,782	158,066	150,000

The directors' relevant interests in the company's securities shown above are as follows:

(i) Mr Gavin Coote has a relevant interest in 2,441,883 fully paid ordinary shares, which are held as follows:

- a. 1,970,385 fully paid ordinary shares are held by Beachridge Advisory Services Pty Ltd as Trustee for the Coote Family Discretionary Trust
- b. 471,498 fully paid ordinary shares, held by a custodian as registered owner on behalf of the Coote Family Super Fund.

In addition, Gavin Coote has a relevant interest in 182,657 options and 750,000 performance rights.

(ii) Ms Julie King has a relevant interest in 17,639,345 fully paid ordinary shares, held by John W King Nominees Pty Ltd.

In addition, Julie King has a relevant interest in 666,667 options.

(iii) Ms Joanne Bryant has a relevant interest in 1,515,051 fully paid ordinary shares, which are held as follows:

- a. 817,050 fully paid ordinary shares are held by ELG Nominees Pty Ltd as trustee for The Gude Family No. 2 A/C
- b. 508,001 fully paid ordinary shares are held by ELG Nominees Pty Ltd
- c. 190,000 fully paid ordinary shares are held by JBB Superannuation Pty Ltd as trustee for the JBB Super Fund A/C

In addition, Joanne Bryant has a relevant interest in 126,256 options.

(iv) Mr Paul Wright has a relevant interest in 951,782 fully paid ordinary shares, held by a custodian as registered owner on behalf of PKW Super Fund.

In addition, Paul Wright has a relevant interest in 158,066 options and 150,000 performance rights.

#### **Principal activities**

The principal activities of the consolidated entity during the year were providing product design, engineering, and regulatory services to customers in the medical industry, and the pursuit of the entity's 'Buy, Build, Invest' medtech product growth strategy.

The consolidated entity operates three wholly owned subsidiary entities:

Hydrix Services transforms client ideas into market leading commercialisable products primarily under fee-for-services contracts. It offers a comprehensive range of engineering and regulatory services including software, electronics, mechanical, industrial design, and general product development services. Its product development and commercialisation services range from applied research through all stages of engineering design, development, prototyping, manufacturer management, certification process management and supply for global markets.

Hydrix Medical distributes cardiac monitoring and diagnostic medical device technologies. During the year, it continued to expand its range of products for distribution and completed its first seven sales of the AngelMed Guardian product for implant in Singapore; the implants were completed under special access schemes in August 2020. The AngelMed Guardian continuously monitors a patient's heart signal 24/7 uniquely against the patient's own baseline heart signal. It is the world's only FDA-approved, implantable cardiac monitoring device and alerts patients of an impending Acute Coronary Syndrome (ACS) event, including against deadly silent heart attacks.

On 30 October 2020, Hydrix Medical announced it had entered into an exclusive agreement with Phyzhon Health Inc, for the rights to distribute Phyzhon's PHYRARI FFR-WIRE product in Australia and New Zealand. The product is primarily for use by interventional cardiologists during procedures which manage blockages in coronary arteries, including patients who have suffered a heart attack.

Hydrix Ventures which makes investments in high potential Hydrix Services clients to generate equity capital gains on investments where it can directly leverage the entity's powerful product innovation capability. It made further early-stage investments during the year, which included increasing its holdings in Gyder Surgical Pty Ltd and Cyban Pty Ltd.

The consolidated entity has approximately 70 employees and its headquarters are located in Mulgrave, Victoria Australia.

#### **Dividends**

No dividends have been paid or declared since the start of the period and the directors do not recommend the payment of a dividend in respect of the period.

#### **Review of operations**

The consolidated entity continued to make progress with its 'buy, build, invest' strategy through the expansion of activities in the Hydrix Medical and Hydrix Ventures.

The Hydrix Medical business recorded its first revenue from seven product sales of the AngelMed Guardian device in Singapore under special access schemes. Pre-regulatory approval access schemes help accelerate market awareness ahead of the consolidated entity making full regulatory submissions in Australia under the Therapeutic Goods Administration (TGA) and in Singapore, under the Health Sciences Authority (HSA).

In October, Hydrix Medical entered into an exclusive agreement with Phyzhon Health Inc, to distribute Phyzhon's PHYRARI FFR-WIRE product in Australia and New Zealand and entered to an arrangement to conduct first-in-human (FIH) clinical trials.

In June, the US Food and Drug Administration (FDA) approved the upgraded battery for the AngelMed Guardian for commercial release in the USA. The achievement of this milestone paves the way for Hydrix Medical to submit applications for regulatory and healthcare reimbursements, commencing with Australia and Singapore.

Hydrix Ventures continued to invest in MedTech clients which include an orthopaedic surgical tool for hip replacements, an implantable heart attack alert device, and a non-invasive brain trauma injury monitoring device. For each of these clients, Hydrix Services provided arms-length design, engineering, and regulatory services.

During the year, the consolidated entity experienced disruptions from COVID-19 related matters, including slowdowns and deferrals of Hydrix Services client projects and interruptions to various regulatory approval pathways for Hydrix Medical devices.

In response to impacts on short term revenue generating activities, the business lowered operating costs by temporarily reducing wages, building lease and discretionary costs, and accessing government stimulus cost-offset programs.

While various discretionary expenditures were paused, we continued employee training and development, and internal developments to advance proprietary engineering systems which increase the value of our client project management systems and product innovation capability. It is important we retain, develop, and incentivise the consolidated entity's highly skilled and talented engineering and regulatory team, and talent mix to leverage the Group's powerful product innovation strategy.



#### **Review of financials**

The consolidated entity delivered revenues of \$9,311,738 for a year-on-year decrease of 41.4% (30 June 2020: \$15,899,742). Net cash used in operating activities to support the growth and expansion of the consolidated entity was \$1,933,245 compared to \$196,954 for the prior year ending 30 June 2020.

Net cash used in investing activities was \$641,563 down from \$1,067,482 in the prior year ending 30 June 2020. The consolidated entity made two direct venture investments in clients and continues to operate one services contract under which it is entitled to earn equity in-lieu and cash fees for services rendered. These arrangements focus on high potential investment capital gains.

Net cashflow from financing activities were \$7,531,864 compared to \$2,720,003 for the prior year ending 30 June 2020. These activities were net of repaying \$4,000,000 in borrowings to significantly deleverage the business and increase operational flexibility.

The operating loss before income tax for the consolidated entity of \$9,778,693 increased by 240% compared to the prior year period (2020: \$2,872,734). This loss included a \$4,561,327 in depreciation, amortisation and other non-cash charges which when added back results in an EBITDA loss (before non-cash expenses) of \$4,107,284 as identified in the table contained under "non-IFRS financial measures". Hydrix Medical and other discretionary 'buy, build, invest' initiatives contributed \$1,394,905 to the total operating loss before income tax (2020: \$472,083).

As noted in the Financial Accounts, management assessed the carrying value of intangible assets as it is required to do under generally accepted accounting standards. After taking into consideration various factors, management concluded that Goodwill was impaired and that the expected benefit period for intangible assets with finite lifespans should be reduced to one year. While the revenue pipeline of the business remains healthy, Hydrix Services revenues have been impacted by COVID. Management anticipates this situation will improve as global vaccinations are advanced, international travel reopens and business appetite to invest in early stage medtech companies improves.

The fluidity of COVID over the near term increases the risks of impairment and makes the period that intangible assets can be expected to provide benefits less certain. As such, management deemed it prudent to recognise the potential impairment risk and write the Goodwill off and reduce the useful life for intangible assets with finite lifespans. The long-term prospects of the Group remain strong, and the powerful product innovation capability of Hydrix Services is an important part of the long-term medtech product growth strategy and competitive advantage of the Group.

In July 2020, the consolidated entity raised \$3,040,647 through a 1-for-3 fully underwritten entitlement offer and placement issuing 40,541,960 shares of new common stock priced at \$0.075c per share, each issued with 1-for-3 attaching Options or 13,513,987 Options. There were a further 11,847,325 Options granted to corporate advisers and sub-underwriters. All Options have a strike price of \$0.12 per share and an expiration date of 31 July 2022. During the year 6,070,672 of these Options were exercised, raising a further \$728,480.

In November 2020, the consolidated entity raised \$10,000,000 through a Placement offer issuing 35,714,286 shares of new common stock priced at \$0.28c per share.

The consolidated entity's cash position was \$6,647,225 at 30 June 2021, compared to \$1,690,194 at 30 June 2020. The main uses of cash were to repay borrowings, support the principal activities of the business, and strategic growth initiatives.

#### **Outlook**

The business prospects for the consolidated entity remain strong taking into consideration several factors, including:

- cash on hand at 30 June 2021 of \$6,647,225 and potential exercise by investors of approximately 19,290,850 Hydrix Listed Stock Options (HYDO) at \$0.12 cents prior 31 July 2022 for a total of \$2,314,902 cash inflows;
- future product revenue and gross profit margins from Hydrix Medical distribution of cardiovascular products anticipated to commence in fiscal 2022;
- potential for future capital gains from investments made by Hydrix Ventures in high potential clients; and
- continued investment in global business development efforts to build a high potential prospective client pipeline of product development projects.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

#### Matters subsequent to the end of the financial year

On 21 July 2021, the consolidated entity lodged its regulatory approval submission to the TGA for commercial distribution of the AngelMed Guardian device. Further, the consolidated entity commenced the Medical Services Advisory Committee (MSAC) application process in Australia to establish a surgical code for the reimbursement of fees pertaining to implant procedures. The Company also commenced the Prostheses List Advisory Committee (PLAC) process to establish a device reimbursement code for the Guardian.

On 2 August 2021, the consolidated entity announced that Angel Medical Systems had completed the first commercial implantation in the USA of the AngelMed Guardian device.

On 11 August 2021 the consolidated entity established Hydrix Medical New Zealand Ltd as a wholly owned subsidiary of Hydrix Medical Pty Ltd.

On 27 August 2021 the consolidated entity deferred the 17 March 2022 maturity of the \$1,000,000 unsecured shareholder loan to 31 December 2022.

During July and August 2021, the Victorian Government made multiple public health and safety directions that required the consolidated entity to reduce its on-site operations due to the COVID-19 pandemic. The consolidated entity's business remains operational after complying with the additional restrictions, with most employees having already transitioned to working from home where possible. Where work is permitted on-site, the consolidated entity continues to operate with processes and protocols in place to support the safety and wellbeing of our employees.

#### Likely developments and expected results of operations

The consolidated entity's principal activities for the next financial year ending 30 June 2022 will continue to be medtech product design, engineering and regulatory services, distribution of cardiovascular technologies and early stage medtech venture investing.

The consolidated entity will continue its 'Buy, Build, Invest' strategy to increase global market share and growth, and to extend the business' core capabilities and customer offer. Areas of focus are within the consolidated entity's experience and know-how developing and commercialising medtech product technologies which have the potential to significantly increase shareholder value.

#### Environmental regulation

The consolidated entity's operations are subject to environmental regulations under the law of the Commonwealth and State. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

#### Non-IFRS financial measures

The consolidated entity uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures. Underlying statutory and pro forma results and measures are intended to provide shareholders additional information to enhance their understanding of the performance of the consolidated entity.

A reconciliation between the loss before income tax expense to the net cash used in operating activities has been performed for the consolidated entity. The following table reconciles the statutory results for the period ended 30 June 2021 to the net cash used in operating activities for the consolidated entity (noting that this information has not been reviewed in accordance with Australian Auditing Standards):

<b>Loss before income tax expense</b>	<b>(9,778,693)</b>
Depreciation and amortisation expense	2,446,900
Finance costs	1,110,082
Interest income	(15,328)
<b>EBITDA (after non-cash expenses)</b>	<b>(6,237,039)</b>
<u>Less: non-cash expenses</u>	
Share based payment expenses	426,771
Impairment of goodwill	1,269,400
Impairment of receivables	(94,602)
(Gain)/Loss on financial instruments at FVTPL	69,825
(Gain)/Loss on contingent consideration liability	190,486
Unrealised foreign exchange (Gain)/Loss	79,537
Contract asset write offs (c/fwd from FY20)	173,010
<b>EBITDA (before non-cash expenses)</b>	<b>(4,107,284)</b>
Less: other non-cash adjustments	(224,112)
Add: changes in operating assets and liabilities	2,398,151
<b>Net cash used in operating activities</b>	<b>(1,933,245)</b>

The decrease in operating assets and liabilities is due to the year on year decrease in product development services contract revenues.

## **REMUNERATION REPORT (Audited)**

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Details of key management personnel
- Remuneration philosophy
- Details of remuneration

### **Details of Key Management Personnel**

#### *(i) Specified Directors*

##### **Mr Gavin Coote**

Non-Executive Chairman - Appointed 28 March 2017, Executive Chairman - Appointed 1 January 2020

##### **Ms Julie King**

Non-Executive Director - Appointed 28 March 2017

##### **Ms Joanne Bryant**

Non-Executive Director - Appointed 29 November 2016

##### **Mr Paul Wright**

Non-Executive Director - Appointed 8 August 2018

### **Remuneration Philosophy**

The performance of the company depends on the quality of the company's directors, executives and employees and therefore the company must attract, motivate and retain appropriately qualified industry personnel.

The remuneration policy of the company has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the company is as follows:

- The remuneration policy is to be developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants where required.
- All KMP receive a base salary, superannuation, options (subject to shareholder approval in the case of directors) and performance incentives.
- Performance incentives are only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Nomination and Remuneration Committee reviews KMP packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

## **REMUNERATION REPORT (Audited) (Continued)**

The Board has established a formal Nomination and Remuneration Committee which operates under the Nomination and Remuneration Committee Charter approved and adopted by the Board.

The Nomination and Remuneration Committee reviews remuneration packages and practices applicable to the senior executives and the Board. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Nomination and Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the the performance of the consolidated entity. All bonuses and incentives must be linked to predetermined performance criteria. The Nomination and Remuneration Committee may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

The employment terms and conditions of KMP are formalised in contracts of employment or consultancy agreements.

In accordance with the company's Constitution, the aggregate remuneration that can be paid to the company's Non-Executive Directors is \$500,000 per annum, and the Board determines how this aggregate amount should be divided among individual directors and in what proportions.

Further details of the Key Management Personnel remuneration for the year are detailed in Note 25.

Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors. A director may also be paid additional amounts as fees or as the directors determine where a director performs extra services or makes any special exertions, which in the opinion of the directors are outside the scope of the ordinary duties of a director.

### **Details of remuneration**

#### *(i) Specified Director Remuneration*

##### **Mr Gavin Coote - Executive Chairman**

###### **Term and termination**

Mr Coote's appointment as Executive Chairman was effective on 1 January 2020, and continues on an ongoing basis under a services agreement between Mr Coote and the company. Either the company or Mr Coote may terminate the services agreement with 6 months' notice (other than by the company for cause).

###### **Remuneration**

Mr Coote's total fixed remuneration for his executive services under the employment agreement is \$330,000 per annum (inclusive of superannuation). Mr Coote's remuneration for his executive services is in addition to the fee of \$60,000 per annum (inclusive of superannuation) that Mr Coote is currently entitled to receive (and will continue to receive) for his roles and responsibilities as Chairman and Director of the Company.

Variable performance-based reward will be in the form of short-term and long-term incentives, as determined by the Board at its sole discretion.

###### **Restraints**

Mr Coote must not, during his employment, except with the written consent of the company, engage in (directly or indirectly) any undertaking or business of a similar nature to, or in competition with, the business of the company. In addition, certain non-compete and non-solicit restraints apply to Mr Coote for a period of 12 months after termination of his employment with the company.

##### **Ms Julie King - Non-Executive Director**

i. Fixed remuneration – The base remuneration is \$48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms King is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

## REMUNERATION REPORT (Audited) (Continued)

### Ms Joanne Bryant - Non-Executive Director

i. Fixed remuneration – The base remuneration is \$48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms Bryant is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

### Mr Paul Wright - Non-Executive Director

i. Fixed remuneration – The base remuneration is \$48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Mr Wright is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts).

### Engagement of remuneration consultants

During the financial year ended 30 June 2021, the consolidated entity, through the Nomination and Remuneration Committee, engaged HR Ascent, remuneration consultants, to review its existing remuneration policies and provide recommendations.

### Remuneration details for the year ended 30 June 2021

The following tables detail, in respect to the financial year, the components of remuneration for each member of KMP of the company:

Table of benefits and payments for the year ended 30 June 2021

	<u>Short-term benefits</u>		<u>Post-employment benefits</u>	<u>Long-term benefits</u>	<u>Share-based payments</u>		<u>Total</u>
	<u>Salary</u>	<u>Fees</u>	<u>Super-annuation</u>	<u>Long Service Leave</u>	<u>Equity-settled shares</u>	<u>Equity-settled options</u>	
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
Mr Gavin Coote <sup>1,2</sup>	367,260	-	26,815	5,014	130,680	-	529,769
Ms Julie King <sup>2</sup>	-	41,268	4,332	-	-	-	45,600
Ms Joanne Bryant <sup>2</sup>	-	41,268	4,332	-	-	-	45,600
Mr Paul Wright <sup>2</sup>	42,627	-	3,956	-	26,838	-	73,421
<b>Total</b>	409,887	82,536	39,435	5,014	157,518	-	694,390

<sup>1</sup> Short-term salary benefits payable to Mr Coote include \$60,000 for work performed in his role as director.

<sup>2</sup> Between 1 July 2020 and 30 September 2020, the fixed remuneration paid to all directors was reduced by 20%.

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

	<u>Short-term benefits</u>		<u>Post-employment benefits</u>	<u>Long-term benefits</u>	<u>Share-based payments</u>		<u>Total</u>
	<u>Salary</u>	<u>Fees</u>	<u>Super-annuation</u>	<u>Long Service Leave</u>	<u>Equity-settled shares</u>	<u>Equity-settled options</u>	
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
Mr Gavin Coote <sup>1,2,5,6</sup>	192,260	100,900	12,565	2,486	92,769	-	400,980
Ms Julie King <sup>6</sup>	-	41,268	4,332	-	-	-	45,600
Ms Joanne Bryant <sup>6</sup>	-	41,268	4,332	-	-	-	45,600
Mr Paul Wright <sup>1,3,6</sup>	42,627	45,000	3,956	-	55,662	-	147,245
<b>Other KMP</b>							
Mr Peter Lewis AM <sup>4,6</sup>	262,557	-	24,943	3,399	-	-	290,899
<b>Total</b>	497,444	228,436	50,128	5,886	148,431	-	930,324

<sup>1</sup> 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.

<sup>2</sup> Mr Gavin Coote was appointed Executive Chairman effective 1 January 2020.

<sup>3</sup> Non-salary short-term benefits payable to Mr Paul Wright are non-monetary and were settled by way of issuing 155,172 number of shares.

<sup>4</sup> Mr Peter Lewis AM transitioned from CEO to the role of Executive Vice President - Corporate Development effective 1 January 2020.

<sup>5</sup> Short-term salary benefits payable to Mr Coote include \$60,000 for work performed in his role as director.

<sup>6</sup> Between 1 April 2020 and 30 June 2020, the fixed remuneration paid to all KMP was reduced by 20%.

# REMUNERATION REPORT (Audited) (Continued)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Directors</i>						
Mr Gavin Coote	74%	67%	-	-	26%	33%
Ms Julie King	100%	100%	-	-	-	-
Ms Joanne Bryant	100%	100%	-	-	-	-
Mr Paul Wright	61%	43%	-	-	39%	57%
<i>Other KMP</i>						
Mr Peter Lewis AM	N/A	100%	N/A	-	N/A	-

## Share-based compensation

### Issue of shares

Details of shares issued to directors and other KMP as part of compensation during the year ended 30 June 2021 are set out below:

Name	Date	Shares	Issue Price	\$
Mr Gavin Coote	6-Nov-20	250,000	\$0.275	\$68,750
Mr Paul Wright	17-Dec-20	150,000	\$0.275	\$41,250

The 250,000 shares issued to Mr Gavin Coote were for nil consideration, upon vesting of performance rights issued under the consolidated entity's long term incentive plan. The performance rights were granted on 17-Dec-19, vested on 30-Jun-20 and were exercised on 06-Nov-20.

The 150,000 shares issued to Mr Paul Wright were for nil consideration, upon vesting of performance rights issued under the consolidated entity's long term incentive plan. The performance rights were granted on 17-Dec-19, vested on 30-Jun-20 and were exercised on 17-Dec-20.

### Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of performance rights granted	Grant date	Vesting date & exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mr Gavin Coote	250,000	17-Dec-19	30-Jun-21	30-Jun-22	\$0.00	\$0.275
Mr Paul Wright	150,000	17-Dec-19	30-Jun-21	30-Jun-22	\$0.00	\$0.275
Mr Gavin Coote	250,000	17-Dec-20	30-Jun-21	30-Jun-22	\$0.00	\$0.255
Mr Gavin Coote	250,000	17-Dec-20	30-Jun-22	30-Jun-23	\$0.00	\$0.255

Performance rights granted carry no dividend or voting rights.

## Additional information

The earnings of the consolidated entity for the five years ended 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Revenue	9,311,738	15,899,742	14,165,305	5,715,182	793,258
(Loss) before tax	(9,778,693)	(2,872,734)	(3,994,173)	(5,539,445)	(4,375,949)
(Loss) after tax	(9,778,693)	(3,219,461)	(4,219,742)	(5,080,967)	(4,375,949)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	\$0.19	\$0.09	\$0.22	\$0.47	\$0.38
Total dividends declared (cents per share)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Basic loss per share (cents per share)	(6.84)	(4.35)	(6.54)	(9.40)	(8.64)
Diluted loss per share (cents per share)	(6.84)	(4.35)	(6.54)	(9.40)	(8.64)

# REMUNERATION REPORT (Audited) (Continued)

## Additional disclosures relating to KMP

### Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / Other	Balance at the end of the year
Mr Gavin Coote	1,643,912	250,000	547,971	-	2,441,883
Ms Julie King	15,639,345	-	2,000,000	-	17,639,345
Ms Joanne Bryant	1,136,287	-	378,764	-	1,515,051
Mr Paul Wright	327,586	150,000	474,196	-	951,782
	<b>18,747,130</b>	<b>400,000</b>	<b>3,400,931</b>	<b>-</b>	<b>22,548,061</b>

### Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Mr Gavin Coote	500,000	500,000	250,000	-	750,000
Ms Julie King	-	-	-	-	-
Ms Joanne Bryant	-	-	-	-	-
Mr Paul Wright	300,000	-	150,000	-	150,000
	<b>800,000</b>	<b>500,000</b>	<b>400,000</b>	<b>-</b>	<b>900,000</b>

The performance rights vest subject to satisfaction of prescribed vesting conditions including financial, operational, corporate governance, strategic planning and business development objectives set by the Board.

**This concludes the remuneration report, which has been audited**

**Shares under option / performance rights**

At the date of this report, there were 20,710,070 options and 900,000 performance rights to acquire ordinary shares of the company as follows:

Class of Unlisted Options	Note	Exercise Price	Vesting Date	Expiry Date	Grant Date	Fair Value at Grant Date	Balance at 30 June 2021	Balance at Date of this Report
Performance rights	(i)	\$0.000	30-Jun-21	30-Jun-22	17-Dec-19	\$0.275	250,000	250,000
Performance rights	(i)	\$0.000	30-Jun-21	30-Jun-22	17-Dec-19	\$0.275	150,000	150,000
Employee LTIP	(ii)	\$0.290	9-Mar-20	30-Jun-25	9-Mar-20	\$0.082	136,578	136,578
Employee LTIP	(ii)	\$0.290	1-Jul-20	30-Jun-25	9-Mar-20	\$0.082	136,552	136,552
Employee LTIP	(ii)	\$0.290	1-Jul-21	30-Jun-25	9-Mar-20	\$0.082	131,087	131,087
Employee LTIP	(ii)	\$0.290	1-Jul-22	30-Jun-25	9-Mar-20	\$0.082	131,098	131,098
Attaching options	(iii)	\$0.120	30-Jul-20	31-Jul-22	30-Jul-20	\$0.033	5,776,859	5,450,090
Underwriter options	(iv)	\$0.120	31-Jul-20	31-Jul-22	31-Jul-20	\$0.029	8,847,325	8,847,325
Employee LTIP	(v)	\$0.075	8-Sep-20	30-Jun-25	8-Sep-20	\$0.272	171,566	171,566
Employee LTIP	(v)	\$0.075	1-Jul-21	30-Jun-25	8-Sep-20	\$0.272	161,055	161,055
Employee LTIP	(v)	\$0.075	1-Jul-22	30-Jun-25	8-Sep-20	\$0.272	161,055	161,055
Employee LTIP	(v)	\$0.075	1-Jul-23	30-Jun-25	8-Sep-20	\$0.272	161,061	161,061
Attaching options	(vi)	\$0.120	18-Sep-20	31-Jul-22	18-Sep-20	\$0.204	4,666,666	4,666,666
Employee LTIP	(vii)	\$0.075	2-Oct-20	30-Jun-25	2-Oct-20	\$0.262	128,439	128,439
Employee LTIP	(vii)	\$0.075	1-Jul-21	30-Jun-25	2-Oct-20	\$0.262	142,498	142,498
Employee LTIP	(vii)	\$0.075	1-Jul-22	30-Jun-25	2-Oct-20	\$0.262	142,498	142,498
Employee LTIP	(vii)	\$0.075	1-Jul-23	30-Jun-25	2-Oct-20	\$0.262	142,502	142,502
Performance rights	(viii)	\$0.00	30-Jun-21	30-Jun-22	17-Dec-20	\$0.255	250,000	250,000
Performance rights	(viii)	\$0.00	30-Jun-22	30-Jun-23	17-Dec-20	\$0.255	250,000	250,000

(i) On 17 December 2019, 800,000 Performance Rights were issued to Directors under the LTIP, and subsequently 250,000 and 150,000 were exercised on 6 November 2020 and 17 December 2020 respectively.

(ii) On 9 March 2020, 785,127 options were issued to employees under the LTIP, and subsequently 155,995 were forfeited due to failure to meet vesting conditions and 93,817 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(iii) On 30 July 2020, 8,847,531 Attaching Options were issued under the Entitlement Offer as announced by the consolidated entity on 6 July 2020, and subsequently 3,397,441 were exercised.

(iv) On 31 July 2020, 11,847,325 Attaching Options were issued to underwriters under the Entitlement Offer as announced by the consolidated entity on 6 July 2020, and subsequently 3,000,000 were exercised.

(v) On 8 September 2020, 878,038 options were issued to employees under the LTIP, and subsequently 7,813 were exercised, 175,349 were forfeited due to failure to meet vesting conditions and 40,139 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(vi) On 31 July 2020, 4,666,666 Attaching Options were issued under the Placement Offer as announced by the consolidated entity on 6 July 2020.

(vii) On 2 October 2020, 582,500 options were issued to employees under the LTIP, and subsequently 26,563 were exercised during the year ended 30 June 2021. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(viii) On 17 December 2020, 500,000 Performance Rights were issued to Directors under the LTIP.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related entity or in the interest issue of any other registered scheme. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.



#### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the consolidated entity for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

To the extent permitted by law, the company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims made by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since end of the financial year.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

#### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

#### **Rounding of amounts**

The company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

#### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



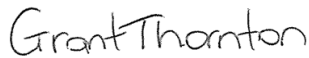
Mr Gavin Coote  
**Executive Chairman**  
31-August-2021  
Melbourne

## Auditor's Independence Declaration

### To the Directors of Hydrix Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Hydrix Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 31 August 2021

---

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

[www.grantthornton.com.au](http://www.grantthornton.com.au)

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

**Hydrix Limited**  
**Consolidated Statement of Profit & Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Revenue	4	9,296,410	15,887,868
Interest income		15,328	11,875
		<b>9,311,738</b>	<b>15,899,742</b>
<b>Operating expenses</b>			
Employee benefits expense	5	(9,654,553)	(11,617,956)
Project material expenses		(1,766,079)	(1,576,638)
Cost of sales		(38,896)	-
Depreciation and amortisation expense	5	(2,446,900)	(1,160,581)
Finance costs	5	(1,110,082)	(1,304,961)
Rental expense		46,378	(160,505)
Selling, advertising and distribution expenses		(208,041)	(362,918)
Research and development expenses		-	162,763
Other expenses	5	(1,970,840)	(2,292,113)
Share based payment expenses	31	(426,771)	(183,484)
Impairment of goodwill		(1,269,400)	-
Impairment of receivables	8	94,602	(133,091)
Gain/(Loss) on financial instruments at fair value through profit or loss	5	(69,825)	927,303
Gain/(Loss) on contingent consideration liability		(190,486)	(85,994)
Impairment of plant and equipment	9	-	(201,652)
Debt extinguishment loss		-	(1,063,586)
Unrealised foreign exchange Gain/(Loss)		(79,537)	280,938
		<b>(19,090,431)</b>	<b>(18,772,476)</b>
<b>Loss before income tax expense</b>		<b>(9,778,693)</b>	<b>(2,872,734)</b>
Income tax (expense)/ benefit	6	-	(346,727)
<b>Loss after income tax expense</b>		<b>(9,778,693)</b>	<b>(3,219,461)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Movement in functional currency of foreign operations	21	(1,909)	-
<b>Total comprehensive loss for year attributable to the Owners of Hydrix Limited</b>		<b>(9,780,602)</b>	<b>(3,219,461)</b>
<b>Loss per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share (cents per share)	30	\$ (6.84)	\$ (4.35)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**Hydrix Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2021**

	<b>Note</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>7</b>	6,647,225	1,690,194
Trade and other receivables	<b>8</b>	574,504	3,088,210
Contract assets	<b>13</b>	1,090,544	681,832
Prepayments		178,482	140,278
Inventory		11,281	-
<b>Total current assets</b>		<b>8,502,036</b>	<b>5,600,514</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit & loss	<b>11</b>	2,847,102	2,234,704
Plant and equipment	<b>9</b>	454,604	328,031
Right of use assets	<b>19</b>	2,076,561	2,538,019
Intangible assets	<b>10</b>	4,985,965	7,875,857
Other assets		87,602	20,768
Security deposits		424,980	424,980
<b>Total non-current assets</b>		<b>10,876,814</b>	<b>13,422,359</b>
<b>Total Assets</b>		<b>19,378,850</b>	<b>19,022,873</b>
<b>Current liabilities</b>			
Trade and other payables	<b>12</b>	1,529,393	1,247,101
Contract liabilities	<b>13</b>	1,601,717	1,291,008
Borrowings	<b>17</b>	1,000,000	276,664
Derivative liabilities	<b>18</b>	770,910	450,782
Employee benefits	<b>15</b>	902,302	734,011
Lease liabilities	<b>19</b>	637,184	507,294
Other liabilities	<b>14</b>	2,499,687	120,000
<b>Total current Liabilities</b>		<b>8,941,193</b>	<b>4,626,860</b>
<b>Non-current liabilities</b>			
Borrowings	<b>17</b>	1,250,000	5,742,597
Employee benefits	<b>15</b>	201,863	248,931
Lease liabilities	<b>19</b>	3,086,770	3,393,824
Provisions	<b>16</b>	189,371	190,209
Other liabilities	<b>14</b>	-	2,524,482
<b>Total non-Current Liabilities</b>		<b>4,728,004</b>	<b>12,100,043</b>
<b>Total Liabilities</b>		<b>13,669,197</b>	<b>16,726,903</b>
<b>Net Assets</b>		<b>5,709,653</b>	<b>2,295,970</b>
<b>Equity</b>			
Issued capital	<b>20</b>	95,402,178	82,506,939
Reserves	<b>21</b>	1,772,905	1,814,874
Accumulated losses	<b>22</b>	(91,465,430)	(82,025,843)
<b>Total Equity</b>		<b>5,709,653</b>	<b>2,295,970</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

**Hydrix Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2021**

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2019</b>	79,276,500	810,437	(78,950,429)	1,136,508
Reclassification of financial assets	-	31,529	(31,529)	-
Loss after income tax expense for the year	-	-	(3,219,461)	(3,219,461)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,219,461)	(3,219,461)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	183,484	-	183,484
Exercised options / performance rights	355,000	(355,000)	-	-
Expired options	-	(175,576)	175,576	-
Contributions of equity, net of transaction costs	2,875,439	-	-	2,875,439
Contingent equity consideration	-	1,320,000	-	1,320,000
<b>Balance at 30 June 2020</b>	<b>82,506,939</b>	<b>1,814,874</b>	<b>(82,025,843)</b>	<b>2,295,970</b>
<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2020</b>	82,506,939	1,814,874	(82,025,843)	2,295,970
Loss after income tax expense for the year	-	-	(9,778,693)	(9,778,693)
Other comprehensive income, net of tax	-	(1,909)	-	(1,909)
Total comprehensive income for the year	-	(1,909)	(9,778,693)	(9,780,602)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	426,771	-	426,771
Exercised options / performance rights	130,303	(136,814)	9,089	2,578
Expired options	-	(330,017)	330,017	-
Contributions of equity, net of transaction costs	12,764,936	-	-	12,764,936
<b>Balance at 30 June 2021</b>	<b>95,402,178</b>	<b>1,772,905</b>	<b>(91,465,430)</b>	<b>5,709,653</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

**Hydrix Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Cash Flows from operating activities</b>			
Receipts from customers (including GST)		9,883,931	16,812,408
Payments to suppliers and employees (including GST)		(13,650,460)	(17,749,255)
Receipt of government grants		1,716,151	477,500
Income tax receipt (R&D tax incentive)		117,133	262,393
Net cash used in operating activities	<b>23</b>	<b>(1,933,245)</b>	<b>(196,954)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for plant and equipment	<b>9</b>	(239,839)	(42,610)
Payments for intangible assets	<b>10</b>	(251,684)	(12,362)
Payments for investments		(150,040)	(1,012,510)
Net cash used in investing activities		<b>(641,563)</b>	<b>(1,067,482)</b>
<b>Cash Flows from financing activities</b>			
Proceeds from issue of shares		13,718,757	2,567,700
Share issue transaction costs paid		(986,726)	(209,462)
Proceeds from borrowings		-	5,678,235
Borrowing transaction costs paid		-	(120,000)
Repayments of borrowings		(4,026,664)	(3,632,016)
Interest received		15,328	11,875
Interest and other finance costs paid		(943,605)	(1,131,485)
Repayments of lease liabilities		(245,226)	(444,844)
Net cash flow from financing activities		<b>7,531,864</b>	<b>2,720,003</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,957,056</b>	<b>1,455,567</b>
Cash and cash equivalents at start of year		1,690,194	234,627
Effects of exchange rate changes on cash and cash equivalents		(25)	-
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>6,647,225</b>	<b>1,690,194</b>

---

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

---

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**1 General Information**

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the directors of the company on 31 August 2021.

**a) Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and derivatives.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to financial statements are disclosed in note 2.

*Going concern*

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the year ended 30 June 2021, the consolidated entity incurred a net loss before tax of \$9,778,693, reported cash used in operations of \$1,933,245 and had a net current assets deficit (current assets less current liabilities) of \$439,157. Subsequent to balance date, Victoria (the consolidated entity's principal place of business) and Australia more broadly, continued to be significantly disrupted by COVID-19 outbreaks impacting upon near term revenue generation of product development services and commencing distribution of the consolidated entity's cardiovascular technologies.

The above factors create business uncertainty which may cast doubt over the business continuing as a going concern and whether the consolidated entity will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Despite these business uncertainties, the directors are of the opinion the consolidated entity will continue as a going concern, taking into consideration various factors including:

- The consolidated entity had an available cash balance of \$6,647,225 at 30 June 2021;
- The consolidated entity, at 30 June 2021, had 19,290,850 in-the-money listed \$0.12 cents HYDO options expiring 31 July 2022 which if exercised, will provide additional cash of \$2,314,902;
- Subsequent to the end of the financial year, the consolidated entity deferred the March 2022 maturity of the \$1,000,000 unsecured shareholder loan to 31 December 2022 (refer Note 17);
- Based on anticipated timing of milestone achievements, the directors believe the consolidated entity will not be required to pay the second tranche of USD\$1,000,000 of the contingent consideration liability during the next 12 months (refer Note 14);
- The derivative liability is treated as current in the financial statements based on the warrants issued to Pure Asset Management (PAM) being exercisable any time before the expiration date of 17 December 2023. In the event PAM fully exercises the warrants, the consolidated entity would receive approximately \$2,384,036 cash inflow;
- A budget and cash flow forecast for the 12 month period from the date of signing of the financial statements, which supports the directors' assertion, has been prepared based on assumptions about certain economic, operating and trading performance achievement contingent on future events and actions yet to occur, and which may not necessarily occur. Should the need arise, there are operating costs of the business that will be reduced if required. Whilst the directors believe the assumptions are best estimate assumptions based upon information available, the occurrence and timing of future events are not certain. The directors will continually monitor the operating performance against the budget and cash flow forecast; and
- The directors believe the consolidated entity would be able to raise additional capital if required to support strategic growth initiatives and working capital.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

Accordingly, the directors believe the consolidated entity will continue as a going concern and it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial statements do not include any adjustments relating to amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

**b) Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

**c) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hydrix Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Hydrix Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

**d) Foreign currency translation**

The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**e) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**f) Impairment of assets**

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.



**g) Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**h) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**i) Contract assets**

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where an unconditional right to consideration is yet to be established, less any allowance for expected credit losses.

**j) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**k) Contract liabilities**

Contract liabilities represent the consolidated entity's performance obligation with respect to the transfer of goods or services to a customer and are recognised when a customer pays consideration before the consolidated entity has transferred the goods or services to the customer.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**l) Financial liabilities**

The consolidated entity's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges are included within finance costs or finance income.

**m) Fair value measurement of financial instruments**

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 2 and level 3 are determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2021 and 30 June 2020.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>30 June 2021</b>				
<b>Financial assets</b>				
Listed securities	33,371	-	-	33,371
Investment in Angel Medical Systems, Inc.	-	-	1,330,182	1,330,182
Investment in Cyban Pty Ltd	-	-	400,050	400,050
Investment in Gyder Surgical Pty Ltd	-	-	835,071	835,071
Gyder Surgical Pty Ltd convertible note			248,428	248,428
<b>Total financial assets recognised at fair value</b>	<b>33,371</b>	<b>-</b>	<b>2,813,731</b>	<b>2,847,102</b>
<b>Financial liabilities</b>				
Embedded derivative liability	-	770,910	-	770,910
<b>Total financial liabilities recognised at fair value</b>	<b>-</b>	<b>770,910</b>	<b>-</b>	<b>770,910</b>
<b>30 June 2020</b>				
<b>Financial assets</b>				
Listed securities	30,224	-	-	30,224
Investment in Angel Medical Systems, Inc.	-	-	1,625,000	1,625,000
Investment in Cyban Pty Ltd	-	-	200,010	200,010
Investment in Gyder Surgical Pty Ltd	-	-	379,470	379,470
<b>Total financial assets recognised at fair value</b>	<b>30,224</b>	<b>-</b>	<b>2,204,480</b>	<b>2,234,704</b>
<b>Financial liabilities</b>				
Embedded derivative liability	-	450,782	-	450,782
<b>Total financial liabilities recognised at fair value</b>	<b>-</b>	<b>450,782</b>	<b>-</b>	<b>450,782</b>

There were no transfers between Level 1, Level 2, and Level 3 during the twelve month period to 30 June 2021.

The valuation techniques used for instruments categorised in Levels 2, and 3 are described below:

*Embedded derivative liability (Level 2)*

A Black-Scholes model has been used as a valuation technique to value the embedded derivative liability.

*Gyder Surgical Pty Ltd convertible note (Level 3)*

Management determined the fair value of this investment by reference to the number of notes held and the face value of each note. Gyder Surgical Pty Ltd is a private company and its valuation is less prone to fluctuations in response to economic and business developments or general market sentiment as compared to a public company.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

*Investment in Gyder Surgical Pty Ltd (Level 3)*

Management determined the fair value of this investment by reference to the issue price achieved during its last capital raise during September 2020. Gyder Surgical Pty Ltd is a private company and its valuation is less prone to fluctuations in response to economic and business developments or general market sentiment as compared to a public company.

*Investment in Cyban Pty Ltd (Level 3)*

Management determined the fair value of this investment by reference to the issue price achieved during its last capital raise during April 2021. Cyban Pty Ltd is a private company and its valuation is less prone to fluctuations in response to economic and business developments or general market sentiment as compared to a public company.

*Investment in Angel Medical Systems, Inc. (Level 3)*

Management determined the fair value of the investment in Angel Medical Systems, Inc. based on unobservable inputs using the best information available in the circumstances, which as Angel Medical Systems' engineering partner included data and information gathered during the design, engineering, and regulatory consulting services provided for the next generation of product upgrades. Management do not anticipate any change in forecast performance of the next generation product.

Angel Medical Systems, Inc. is a private company and its valuation is less prone to fluctuations in response to economic and business developments or general market sentiment as compared to a public company. However, as the investment in Angel Medical Systems, Inc. is held in USD it is exposed to exchange rate risk.

**n) New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*

The consolidated entity applied AASB 2020-4 for the first time from 1 July 2020. AASB 2020-4 makes amendments to AASB 16 Leases to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

**o) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021.

**2 Critical Accounting Estimates, Assumptions and Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

**(i) Fair value measurement of non-cash consideration - revenue recognition**

To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, the consolidated entity measures the non-cash consideration (or promise of non-cash consideration) at fair value on contract inception date.

At the end of each reporting period, the consolidated entity updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. The consolidated entity accounts for changes in the transaction price by recognising as revenue, or as a reduction of revenue, amounts allocated to satisfied performance obligations, in the period in which the transaction price changes.

**(ii) Share-based payment transactions**

The consolidated entity assesses the fair value of options granted applying the Black-Scholes valuation model. The use of this model requires management to make assumptions regarding key inputs such as risk free rate, share price volatility and time to maturity.

**(iii) Impairment of goodwill and non-financial assets**

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other non-financial assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

**(iv) Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**(v) Employee benefits provision**

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**(vi) Lease make-good provision**

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

**(vii) Derivative liability**

Management uses valuation techniques, such as a Black-Scholes model, when determining the fair value of derivative liabilities. Inputs to the valuation technique include assumptions and estimates on volatility and risk-free interest rates.

**(viii) Leases**

The consolidated entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The consolidated entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(ix) Impairment of financial assets**

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

**(x) Useful lives and residual values of depreciable and amortisable assets**

Management reviews its estimate of useful lives and residual values of depreciable and amortisable assets at each reporting date, based on the expected benefit from these assets.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**3 Operating Segments**

*Identification of reportable operating segments*

The consolidated entity is organised into four operating segments based on the internal reports that are reviewed and used by the Board of Directors [who are identified as the Chief Operating Decision Makers ('CODM')] in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM, who are responsible for the allocation of resources to operating segments and assessing their performance.

The consolidated entity's operations are in two geographical locations, being Australia and Singapore.

*Operating Segment Information*

	<b>Hydrix Services</b>	<b>Hydrix Medical</b>	<b>Hydrix Digital</b>	<b>Hydrix Ventures</b>	<b>Total Operations</b>
<b>Consolidated - 2021</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Sales to external customers	7,373,601	71,620	-	-	7,445,221
Other revenue	1,626,416	32,319	-	-	1,658,735
<b>Total Segment revenue</b>	<b>9,000,017</b>	<b>103,939</b>	<b>-</b>	<b>-</b>	<b>9,103,956</b>
<i>Unallocated revenue:</i>					
Other revenue	-	-	-	-	192,454
Interest income	-	-	-	-	15,328
<b>Total Segment Revenue</b>	<b>9,000,017</b>	<b>103,939</b>	<b>-</b>	<b>-</b>	<b>9,311,738</b>
<b>EBITDA</b>	<b>(1,682,068)</b>	<b>(799,416)</b>	<b>(557,393)</b>	<b>(649)</b>	<b>(3,039,526)</b>
<i>Unallocated EBITDA</i>					<b>(1,067,758)</b>
<b>Total EBITDA</b>					<b>(4,107,284)</b>
Finance costs	(390,813)	-	-	-	(390,813)
Depreciation and amortisation	(2,428,553)	(17,727)	-	-	(2,446,280)
Impairment of goodwill	(1,269,400)	-	-	-	(1,269,400)
Impairment of receivables	94,602	-	-	-	94,602
Gain/(Loss) on financial instruments at FVTPL	-	-	-	250,303	250,303
Gain/(Loss) on contingent consideration liability	-	(190,486)	-	-	(190,486)
Unrealised foreign exchange Gain/(Loss)	-	215,281	-	(294,818)	(79,537)
Contract asset write offs (c/fwd from FY20)	(173,010)	-	-	-	(173,010)
<i>Unallocated expenses:</i>					
Finance costs	-	-	-	-	(719,269)
Depreciation and amortisation	-	-	-	-	(620)
Share based payment expenses	-	-	-	-	(426,771)
Gain/(Loss) on financial instruments at FVTPL	-	-	-	-	(320,128)
<b>Profit/(Loss) before income tax expense</b>	<b>(5,849,242)</b>	<b>(792,348)</b>	<b>(557,393)</b>	<b>(45,164)</b>	<b>(9,778,693)</b>
Income tax (expense)/ benefit	-	-	-	-	-
<b>(Loss) after income tax expense</b>	<b>(5,849,242)</b>	<b>(792,348)</b>	<b>(557,393)</b>	<b>(45,164)</b>	<b>(9,778,693)</b>
<b>Assets</b>					
Segment assets	4,760,794	4,541,305	-	2,847,385	12,149,484
<i>Unallocated assets:</i>					
Cash and cash equivalents	-	-	-	-	6,647,225
Intangible assets	-	-	-	-	525,000
Other assets	-	-	-	-	57,141
<b>Total assets</b>	<b>4,760,794</b>	<b>4,541,305</b>	<b>-</b>	<b>2,847,385</b>	<b>19,378,850</b>
<b>Liabilities</b>					
Segment liabilities	7,778,330	2,600,474	-	-	10,378,804
<i>Unallocated liabilities:</i>					
Borrowings	-	-	-	-	2,250,000
Other liabilities	-	-	-	-	1,040,393
<b>Total liabilities</b>	<b>7,778,330</b>	<b>2,600,474</b>	<b>-</b>	<b>-</b>	<b>13,669,197</b>

During the year the consolidated entity temporarily ceased discretionary expenditure and investment in Hydrix Digital.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**3 Operating Segments (continued)**

	Hydrix Services \$	Hydrix Medical \$	Hydrix Digital \$	Hydrix Ventures \$	Total Operations \$
<b>Consolidated - 2020</b>					
<b>Revenue</b>					
Sales to external customers	14,949,975	-	-	-	14,949,975
Other revenue	770,371	-	-	-	770,371
<b>Total Segment Revenue</b>	<b>15,720,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,720,346</b>
<i>Unallocated revenue:</i>					
Other revenue	-	-	-	-	178,469
Interest income	-	-	-	-	927
<b>Total Segment Revenue</b>	<b>15,720,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,899,742</b>
<b>EBITDA</b>	<b>1,772,384</b>	<b>(662,518)</b>	<b>-</b>	<b>(2,576)</b>	<b>1,107,290</b>
<i>Unallocated EBITDA</i>					<b>(1,328,891)</b>
<b>Total EBITDA</b>					<b>(221,601)</b>
Finance costs	(433,850)	-	-	-	(433,850)
Depreciation and amortisation	(1,146,940)	(1,933)	-	-	(1,148,873)
Impairment of receivables	(133,091)	-	-	-	(133,091)
Gain/(Loss) on financial instruments at FVTPL	-	-	-	-	927,303
Gain/(Loss) on contingent consideration liability	-	(85,994)	-	-	(85,994)
Unrealised foreign exchange Gain/(Loss)	-	280,938	-	-	280,938
Contract asset write offs (c/fwd from FY19)	(74,508)	-	-	-	(74,508)
<i>Unallocated expenses:</i>					
Debt extinguishment loss	-	-	-	-	(1,063,586)
Finance costs	-	-	-	-	(871,110)
Depreciation and amortisation	-	-	-	-	(11,708)
Impairment of plant and equipment	-	-	-	-	(201,652)
Other	-	-	-	-	165,000
<b>Profit/(Loss) before income tax expense</b>	<b>(16,006)</b>	<b>(469,507)</b>	<b>-</b>	<b>(2,576)</b>	<b>(2,872,734)</b>
Income tax (expense)/ benefit	(346,727)	-	-	-	(346,727)
<b>(Loss) after income tax expense</b>	<b>(362,733)</b>	<b>(469,507)</b>	<b>-</b>	<b>(2,576)</b>	<b>(3,219,461)</b>
<b>Assets</b>					
Segment assets	9,917,277	4,496,924	-	2,235,129	17,174,330
<i>Unallocated assets:</i>					
Cash and cash equivalents	-	-	-	-	1,690,194
Intangible assets	-	-	-	-	525,000
Other assets	-	-	-	-	158,349
<b>Total assets</b>	<b>9,917,277</b>	<b>4,496,924</b>	<b>-</b>	<b>2,235,129</b>	<b>19,022,873</b>
<b>Liabilities</b>					
Segment liabilities	7,356,022	2,609,461	-	-	9,965,483
<i>Unallocated liabilities:</i>					
Borrowings	-	-	-	-	5,992,597
Other liabilities	-	-	-	-	768,823
<b>Total liabilities</b>	<b>7,356,022</b>	<b>2,609,461</b>	<b>-</b>	<b>-</b>	<b>16,726,903</b>

Hydrix Limited  
Notes accompanying the financial statements  
For the year ended 30 June 2021

4 Revenue

	2021	2020
	\$	\$
<b>Revenue from contracts with customers</b>		
Rendering of services	6,264,786	13,894,275
Project materials and travel recovered	971,908	892,474
Support and maintenance	136,907	147,476
Sales of AngelMed Guardian System	71,620	-
	<u>7,445,221</u>	<u>14,934,225</u>
<b>Other income:</b>		
Research and development tax incentive	117,133	262,393
Rental income	-	15,750
Government grant	1,716,151	675,500
Other income	17,905	-
	<u>1,851,189</u>	<u>953,643</u>
<b>Total income from continuing operations</b>	<u>9,296,410</u>	<u>15,887,868</u>
<b>Disaggregation of revenue</b>		
The disaggregation of revenue from contracts with customers is as follows:		
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	71,620	-
Services transferred over time	7,373,601	14,934,225
	<u>7,445,221</u>	<u>14,934,225</u>

4 Revenue (continued)

**Accounting Policy - Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from contracts with customers

Revenue is recognised over time at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

(i) Rendering of services

Revenue is recognised over time by measuring progress towards the complete satisfaction of each performance obligation. The input method is used to measure progress of performance as a labour cost input method allows revenue to be recognised based on labour hours expended relative to the total labour hours expected to be input to the complete satisfaction of the performance obligation. At the end of each reporting period progress towards complete satisfaction of the performance obligation is remeasured.

(ii) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Research and development tax incentive

R&D tax incentives will be recognised in profit before tax (in EBIT) during the period in which they are received from the Australian Taxation Office.

(iv) Government grant

Government grant represents the job keeper and cash flow boost payments received from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at their fair values when there is a reasonable assurance that the Group will comply with the requirements and that the grant will be received.

(v) Other income

Other income is recognised when it is received or when the right to receive payment is established.



Hydrix Limited  
Notes accompanying the financial statements  
For the year ended 30 June 2021

5 Expenses

	2021 \$	2020 \$
(Loss) before income tax includes the following specific expenses:		
<b>Employee benefits expenses</b>		
Salaries, wages and leave entitlements	8,503,199	10,056,523
Defined contribution superannuation expense	707,968	880,543
Employee on-costs	412,042	570,320
Employee training and development	31,344	110,570
<b>Total employee benefits expenses</b>	<b>9,654,553</b>	<b>11,617,956</b>
<b>Depreciation</b>		
Plant and equipment	13,857	28,844
Computer equipment	62,258	41,755
Furniture and fixtures	37,151	36,470
Right-of-use Asset	461,458	461,458
	<b>574,724</b>	<b>568,527</b>
<b>Amortisation</b>		
Software - including CHEF Framework	1,512,212	525,054
Customer Contracts & Relationships	359,964	67,000
	<b>1,872,176</b>	<b>592,054</b>
<b>Total depreciation and amortisation expense</b>	<b>2,446,900</b>	<b>1,160,581</b>
<b>Finance costs</b>		
Interest expense on lease liabilities	389,641	414,942
Pure Asset Management facility fees	411,487	111,712
Interest on loans and borrowing costs	308,954	778,307
<b>Total finance costs</b>	<b>1,110,082</b>	<b>1,304,961</b>
<b>Gain/(Loss) on financial instruments at fair value through profit or loss</b>		
Gain/(Loss) on derivatives	(320,128)	916,921
Gain/(Loss) on financial assets	250,303	10,382
	<b>(69,825)</b>	<b>927,303</b>
<b>Other expenses</b>		
Bad debts written off	4,415	74,508
Consultancy charges	391,336	305,225
Corporate advisory transaction costs	-	447,250
Directors' fees	197,783	197,783
Insurance	134,020	116,034
IT related expenses	336,496	367,006
Legal and professional charges	325,948	250,631
Listing fees and share register maintenance	104,775	85,797
Recruitment fees	26,134	124,243
Travelling costs	5,140	119,744
Administration expenses	444,793	203,892
<b>Total other expenses</b>	<b>1,970,840</b>	<b>2,292,113</b>

5 Expenses (continued)

<b>Accounting Policy - Expenses</b>	
<u>Amortisation</u>	
The amortisable amount of all intangible assets is amortised on a straight-line basis over the period of their expected benefit to the consolidated entity commencing from the time the asset is recognised.	
<u>Depreciation</u>	
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use.	
<u>Defined contribution superannuation expense</u>	
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.	
<u>Finance costs</u>	
All finance costs are expensed in the period in which they are incurred.	

6 Income Taxes

	2021 \$	2020 \$
(a) <b>Income tax (expense)/ benefit</b>		
Current income tax	-	-
Deferred tax - origination and reversal of temporary differences	-	(346,727)
Adjustment recognised for prior periods	-	-
	<u>-</u>	<u>(346,727)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax expense	<u>9,778,693</u>	<u>2,872,734</u>
Tax at the statutory tax rate of 26.00% (Previous year 27.50%)	2,542,460	790,002
Tax effect amounts which are not (deductible) / taxable in calculating taxable income:		
Temporary differences not brought to account	(211,136)	(168,098)
Share based payments	(110,960)	(50,458)
R&D tax incentive income - non assessable	30,455	72,158
Deferred Tax Asset (DTA) on tax losses not brought to account	<u>(2,250,818)</u>	<u>(990,331)</u>
	<u>-</u>	<u>(346,727)</u>
(b) <b>Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Allowance for expected credit losses	26,688	54,243
Provision for annual leave	180,191	139,990
Provision for long service leave	106,891	130,318
Derivative liability	200,437	-
Lease liability	968,229	1,072,807
Accruals	242,662	25,885
Lease make-good provision	<u>49,236</u>	<u>52,307</u>
	<u>1,774,334</u>	<u>1,475,550</u>
(c) <b>Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Contingent consideration	57,132	-
Contract assets	283,541	187,503
Financial assets at fair value through profit & loss	59,375	-
Intangible assets	<u>676,406</u>	<u>941,320</u>
	<u>1,076,454</u>	<u>1,128,823</u>

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**6 Income Taxes (continued)**

		2021	2020
(d)	<b>Net deferred tax assets / (liabilities)</b>		
	Provision for impairment	697,880	346,727
		<u>697,880</u>	<u>346,727</u>
(e)	<b>Movement in deferred tax assets/(liabilities)</b>	\$	\$
	Opening balance	-	346,727
	Credited to profit and loss	-	(346,727)
	Credited to equity	-	-
	Closing Balance	<u>-</u>	<u>-</u>
(f)	<b>Deferred tax assets not brought to account at reporting date</b>		
	Operating losses	7,566,481	5,635,121
	Capital losses	74,097	78,372

The deferred tax asset not brought to account will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) the company is able to meet the continuity of business and or continuity of ownership tests

**Accounting Policy - Income tax**

*The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.*

*Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:*

- *When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or*
- *When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.*

*Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.*

*The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.*

*Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.*

*Hydrix Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and the subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.*

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**7 Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	6,647,223	1,690,192
Cash on hand	2	2
	<b>6,647,225</b>	<b>1,690,194</b>

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	6,647,225	1,690,194
Balance as per statement of cash flows	<b>6,647,225</b>	<b>1,690,194</b>

**Accounting Policy - Cash and cash equivalents**

*Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.*

**8 Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	616,044	2,998,012
Less: Allowance for expected credit losses	(102,647)	(197,249)
	513,397	2,800,763
GST receivable	57,915	21,437
Other receivables	3,192	266,010
	<b>574,504</b>	<b>3,088,210</b>

*Allowance for expected credit losses*

The consolidated entity has recognised a profit of \$94,602 in profit or loss in respect of the expected credit losses for the year ended 30 June 2020 (30 June 2020: loss of \$133,091).

The aging of the receivables and allowance for expected credit losses provided for above are as follows:

	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net carrying amount</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
<b>Consolidated</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Not overdue	0.6%	333,428	1,917	331,511
0 to 3 months overdue	0.9%	74,642	688	73,954
3 to 6 months overdue	12.5%	44,000	5,500	38,500
Over 6 months overdue	57.7%	163,974	94,542	69,432
		<b>616,044</b>	<b>102,647</b>	<b>513,397</b>

**Accounting Policy - Trade and other receivables**

*Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.*

*The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.*

*Other receivables are recognised at amortised cost, less any allowance for expected credit losses.*

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**9 Plant and Equipment**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Plant and equipment</i>		
At cost	168,225	127,129
Less accumulated depreciation	(81,202)	(67,345)
	<u>87,023</u>	<u>59,784</u>
<i>Computer equipment</i>		
At cost	288,151	175,001
Less accumulated depreciation	(186,775)	(124,517)
	<u>101,376</u>	<u>50,484</u>
<i>Furniture and fixtures</i>		
At cost	400,979	315,386
Less accumulated depreciation	(134,774)	(97,623)
	<u>266,205</u>	<u>217,763</u>
	<u><b>454,604</b></u>	<u><b>328,031</b></u>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	<b>Plant &amp; Equipment</b>	<b>Computer Equipment</b>	<b>Furniture &amp; Fixtures</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 July 2019	286,792	54,251	253,099	594,142
Additions	3,488	37,988	1,134	42,610
Impairment expense	(201,652)	-	-	(201,652)
Depreciation expense	(28,844)	(41,755)	(36,470)	(107,069)
	<u><b>59,784</b></u>	<u><b>50,484</b></u>	<u><b>217,763</b></u>	<u><b>328,031</b></u>
Balance as at 30 June 2020				
Balance as at 1 July 2020	59,784	50,484	217,763	328,031
Additions	41,096	113,150	85,593	239,839
Depreciation expense	(13,857)	(62,258)	(37,151)	(113,266)
	<u><b>87,023</b></u>	<u><b>101,376</b></u>	<u><b>266,205</b></u>	<u><b>454,604</b></u>
Balance as at 30 June 2021				

**Accounting Policy - Plant and equipment**

The useful lives adopted for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Useful lives</u>
Plant and equipment	2 to 5 years
Computer equipment	3 to 4 years
Furniture and fixtures	10 to 15 years
Leasehold improvements	Over the initial period of the lease

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment). The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**10 Intangible assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Distribution Rights (i)	4,459,426	4,459,426
Less: Accumulated amortisation (ii)	-	-
	<u>4,459,426</u>	<u>4,459,426</u>
Goodwill	1,269,400	1,269,400
Less: Impairment	(1,269,400)	-
	<u>-</u>	<u>1,269,400</u>
Brand Name	525,000	525,000
Less: Impairment	-	-
	<u>525,000</u>	<u>525,000</u>
Customer Contracts & Relationships	536,000	536,000
Less: Accumulated amortisation (iii)	(536,000)	(176,036)
	<u>-</u>	<u>359,964</u>
Software - including CHEF Framework	2,833,823	2,582,139
Less: Accumulated amortisation (iii)	(2,832,284)	(1,320,072)
	<u>1,539</u>	<u>1,262,067</u>
	<u><b>4,985,965</b></u>	<u><b>7,875,857</b></u>

*Distribution Rights*

The distribution rights is a finite life asset which is not yet available for use. The recoverable amount of the distribution rights has been determined using a value-in-use calculation.

(i) On the 13th of March 2020 the consolidated entity entered into an agreement to acquire the exclusive Asia Pacific distribution rights for the AngelMed Guardian System payable with a mix of upfront and contingent consideration. The distributions rights were measured based on the cost of shares issued and fair value of the contingent consideration on acquisition date. The contingent consideration is payable in three tranches upon receipt of FDA and other applicable regulatory approvals of AngelMed's next generation product.

(ii) No amortisation has been recognised on the distribution rights for the AngelMed Guardian System given the Distribution and Supply agreement continues in force for seven years, with year one not commencing until after FDA approval has been received and the first commercial implant of the product has received reimbursement in the United States of America.

*Effective Useful Life*

(iii) During the year Management reassessed the effective useful life of intangible assets with finite lifespans allocated to the Hydrix Services cash-generating unit and determined that the expected benefit period for these assets should be reduced to one year. This reassessment resulted in additional amortisation charges of \$292,964 and \$958,087 to the Customer Contracts & CHEF Software intangible assets.

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	<b>Distribution Rights</b>	<b>Goodwill</b>	<b>Brand Name</b>	<b>Customer Contracts</b>	<b>Software including CHEF</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 July 2019	-	1,269,400	525,000	426,964	1,774,759	3,996,123
Additions	4,459,426	-	-	-	12,362	4,471,788
Amortisation expense	-	-	-	(67,000)	(525,054)	(592,054)
Balance as at 30 June 2020	<u>4,459,426</u>	<u>1,269,400</u>	<u>525,000</u>	<u>359,964</u>	<u>1,262,067</u>	<u>7,875,857</u>
Balance as at 1 July 2020	4,459,426	1,269,400	525,000	359,964	1,262,067	7,875,857
Additions	-	-	-	-	251,684	251,684
Impairment expense	-	(1,269,400)	-	-	-	(1,269,400)
Amortisation expense	-	-	-	(359,964)	(1,512,212)	(1,872,176)
Balance as at 30 June 2021	<u><b>4,459,426</b></u>	<u><b>-</b></u>	<u><b>525,000</b></u>	<u><b>-</b></u>	<u><b>1,539</b></u>	<u><b>4,985,965</b></u>

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**10 Intangible assets (continued)**

The recoverable amount of the consolidated entity's indefinite life or not yet available for use intangible assets, being Brand Name, Goodwill, and Distribution Rights, have been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by the directors and extrapolated for a further 3 years using a steady rate, together with a terminal value. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive and are listed in the tables below.

**Impairment testing**

Brand Name, Goodwill and Distribution Rights have been allocated to the following cash-generating units:

	2021	2020
	\$	\$
<b>Goodwill</b>		
Hydrix Services	-	1,269,400
	<u>-</u>	<u>1,269,400</u>

In assessing the carrying value of Goodwill, Management took various factors into consideration and concluded that Goodwill was fully impaired. While the revenue pipeline remains healthy, the business has been impacted by COVID. Management anticipates this situation will improve as global vaccinations advance, travel resumes and business appetite to invest in early stage medtech companies improves.

The following key assumptions were used in the discounted cash flow model for the Hydrix Services division:

Item	Assumption	Rationale
Revenue Growth Rates – FY 2022 onwards	Per approved budget	Based on existing contracts and proposals in various stages of negotiation
Revenue Growth Rates – FY 2023 onwards	10% p.a annual average growth	The 'buy, build, invest' strategy is expected to continue to increase both the scale of the services business and generate other revenue streams
Expenditure Growth Rates – FY 2022 onwards	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2023 onwards	5% p.a annual average growth	The business has existing capacity to deliver increased revenues without adding significant costs. Managements estimate also takes into account the prevailing interest rate and efforts to contain costs.
Years forecasted	5 years	5 years as per recommended length of time per AASB136
Tax Rate	25.00%	Base rate entity company tax rate
Working Capital	12% of revenues	Average working capital required
Discount Rate	17% pre-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements

	2021	2020
	\$	\$
<b>Distribution Rights</b>		
Hydrix Medical	4,459,426	4,459,426
	<u>4,459,426</u>	<u>4,459,426</u>

The following key assumptions were used in the discounted cash flow model for the Hydrix Medical division:

Item	Assumption	Rationale
Revenue Growth Rates – FY 2022 onwards	Per approved budget	Based on estimated timing of key regulatory approvals and market adoption
Revenue Growth Rates – FY 2023 onwards	Minimum sales requirements outlined in distribution and supply	Minimum performance required
Expenditure Growth Rates – FY 2022 onwards	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2023 onwards	Minimum sales requirements outlined in distribution and supply	Minimum performance required
Years forecasted	5 years	5 years as per recommended length of time per AASB136
Tax Rate	25.00%	Base rate entity company tax rate
Working Capital	16% of revenues	Average working capital required
Discount Rate	17% pre-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements

10 Intangible assets (continued)

	2021	2020
Brand Name	\$	\$
Group (Hydrix Services & Hydrix Medical)	525,000	525,000
	<b>525,000</b>	<b>525,000</b>

The key assumptions used in the discounted cash flow model for the Group CGU are included in the tables on the previous page.

**Sensitivity**

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing. Should these judgements and estimates not occur, the resulting carrying amount of Brand Name may decrease. The sensitivities are as follows: (a) Revenue and cost of sales would need to decrease by more than 50% for the Group of cash generating units before Brand Name would need to be impaired, with all other assumptions remaining constant. (b) The discount rate would be required to increase by at least 50% for the Group of cash generating units before Brand Name would need to be impaired, with all other assumptions remaining constant.

The directors believe that other reasonable changes in the key assumptions on which the recoverable amount of the consolidated entity's Brand Name is based on would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

**Accounting Policy - Intangible assets**

*Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.*

**Distribution Rights**

*The acquired distribution rights have been measured based on the cost of shares issued and fair value of the contingent considerations on acquisition date. The distribution rights is a finite life asset which is not yet available for use. The recoverable amount of the distribution rights has been determined using a value-in-use calculation.*

**Goodwill**

*Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.*

**Customer Contracts**

*Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.*

**Brand Name**

*The Hydrix brand name is thought to have an indefinite life and is not amortised. Instead, the brand is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on the brand are taken to profit or loss and are not subsequently reversed.*

**Software (including CHEF)**

*Significant costs associated with the Common Hydrix Embedded Framework (CHEF) software are deferred and amortised on a straight-line basis over a period of 5 years given its assumed amortisation rate of 20%. Other software costs are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 years.*



**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**11 Financial assets at fair value through profit & loss**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Listed ordinary shares	33,371	30,224
Unlisted ordinary shares	2,565,303	2,204,480
Convertible Note	248,428	-
	<b><u>2,847,102</u></b>	<b><u>2,234,704</u></b>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	<b>Unlisted ordinary \$</b>	<b>Listed ordinary shares \$</b>	<b>Convertible Note \$</b>	<b>Total \$</b>
Opening fair value as at 1 July 2019	379,470	19,842	-	399,312
Additions (i) (ii)	1,825,010	-	-	1,825,010
Revaluation increments/(decrements)	-	10,382	-	10,382
Closing fair value as at 30 June 2020	<b><u>2,204,480</u></b>	<b><u>30,224</u></b>	<b><u>-</u></b>	<b><u>2,234,704</u></b>
Opening fair value as at 1 July 2020	2,204,480	30,224	-	2,234,704
Additions (iii) (iv) (v) (vi)	400,038	-	256,875	656,913
Revaluation increments/(decrements)	255,603	3,147	(8,447)	250,303
Revaluation increments/(decrements) due to foreign exchange	(294,818)	-	-	(294,818)
Closing fair value as at 30 June 2021	<b><u>2,565,303</u></b>	<b><u>33,371</u></b>	<b><u>248,428</u></b>	<b><u>2,847,102</u></b>

(i) On the 13th of March 2020 the consolidated entity acquired 1,000,000 shares of Series A Preferred Stock in Angel Medical Systems, Inc., for \$1,625,000 with \$812,500 of that consideration being provided as services in-kind.

(ii) During the last quarter of 2020 the consolidated entity acquired 6,667 shares of Series A Stock of Cyban Pty Ltd for \$200,010.

(iii) During July 2020 the consolidated entity acquired 3,333 shares of Series A stock in Cyban Pty Ltd for \$99,990.

(iv) During July 2020 the consolidated entity entered into a convertible note agreement with Gyder Surgical Pty Ltd with a total issue price of \$250,000.

(v) During September 2020 the consolidated entity received 4,446 ordinary shares in Gyder Surgical Pty Ltd valued at \$249,998 as payment for services rendered.

(vi) During April 2021 the consolidated entity acquired 1,430 shares of Series A Stock of Cyban Pty Ltd for \$50,050.

**Accounting Policy - Financial assets at fair value through profit & loss**

*All assets and liabilities, measured at fair value, are classified using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. Refer to note 1(m) for further information on fair value measurement.*

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**12 Trade and other payables**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	346,322	684,371
Other payables	260,208	363,619
Accrued liabilities	922,863	199,111
	<b>1,529,393</b>	<b>1,247,101</b>

**Accounting Policy - Trade and other payables**

*These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.*

**13 Contract assets and contract liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Contract assets</b>		
Current	<b>1,090,544</b>	<b>681,832</b>

The value of contract assets at the end of the reporting period was \$1,090,544 (30 June 2020: \$681,832) and is expected to be invoiced in future periods as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Within 6 months	1,090,544	681,832
6 to 12 months	-	-
12 to 18 months	-	-
18 to 24 months	-	-
	<b>1,090,544</b>	<b>681,832</b>

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Contract liabilities</b>		
Current	<b>1,601,717</b>	<b>1,291,008</b>

*Unsatisfied performance obligations*

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$1,601,717 (30 June 2020: \$1,291,008) and is expected to be recognised as revenue in future periods as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Within 6 months	699,307	765,166
6 to 12 months	466,667	525,842
12 to 18 months	435,743	-
18 to 24 months	-	-
	<b>1,601,717</b>	<b>1,291,008</b>

**Accounting Policy - Contract assets and contract liabilities**

Contract assets

*Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where an unconditional right to consideration is yet to be established, less any allowance for expected credit losses.*

Contract liabilities

*Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration before the consolidated entity has transferred the goods or services to the customer.*

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**14 Other liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Customer deposits	-	120,000
Contingent consideration liability	2,499,687	-
	<b>2,499,687</b>	<b>120,000</b>
<b>Non - Current</b>		
Contingent consideration liability	-	2,524,482
	<b>-</b>	<b>2,524,482</b>

*Contingent consideration liability*

The contingent consideration for the Asia Pacific distribution rights of the AngelMed Guardian System (refer to Note 10) is payable in three tranches upon receipt of FDA and other applicable regulatory approvals of AngelMed's next generation product.

**Accounting Policy - Other liabilities**

Contingent consideration liability

The contingent consideration liability is measured based on management's estimate of the expected cash outflows and the probability of meeting the milestones in accordance with the terms of the acquisition of AngelMed Distribution Rights agreement (see Note 10). The liability also factors in the time value of money at acquisition date and year-end; the discount rate applied was 10% and 6% respectively.

**15 Employee benefits**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Annual leave	693,044	509,056
Long service leave	209,258	224,955
	<b>902,302</b>	<b>734,011</b>
<b>Non - current</b>		
Long service leave	201,863	248,931
	<b>201,863</b>	<b>248,931</b>

**Accounting Policy - Employee benefits**

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and long service leave which are expected to be settled within 12 months of the reporting date and which the entity does not have a conditional right to defer settlement beyond 12 months, are recognised as part of provisions in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**16 Provisions**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Non - current</b>		
Lease make-good provision	189,371	190,209
	<b>189,371</b>	<b>190,209</b>

***Lease make-good provision***

*The provision represents the present value of the estimated costs to make-good the Mulgrave premises leased by the consolidated entity expiring in the year 2025 with options to extend to two further terms of four years each.*

***Movements in provisions***

Movements in the lease make-good provision during the current financial year are set out below:

	<b>2,021</b>	<b>2,020</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Carrying amount at the start of the year	190,209	180,854
Additional provisions recognised	(838)	9,355
Amounts used	-	-
Unused amounts reversed	-	-
<b>Carrying amount at the end of the year</b>	<b>189,371</b>	<b>190,209</b>

***Accounting Policy - Provisions***

*A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.*

**17 Borrowings**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Shareholder loans - Unsecured	1,000,000	-
Pure Asset Management loan - Secured	-	250,000
BOQ Finance	-	26,664
	<b>1,000,000</b>	<b>276,664</b>
<b>Non-Current</b>		
Shareholder loans - Unsecured	1,250,000	2,750,000
Pure Asset Management loan - Secured	-	3,250,000
Less: Capitalised Transaction Costs / Warrant Shares	-	(257,403)
	<b>1,250,000</b>	<b>5,742,597</b>

***Total unsecured borrowings***

An unsecured loan facility of \$1,250,000 with a 6% p.a. interest rate has been provided by a major shareholder. As at 30 June 2021, this loan was fully drawn. The loan is repayable on 31 December 2022 or such later date as agreed by the parties.

A separate unsecured loan facility of \$1,000,000 with a 6% p.a. interest rate has been provided by a shareholder. As at 30 June 2021, this loan was fully drawn and was repayable on 17 March 2022 or such later date as agreed by the parties. Subsequent to the end of the financial year the maturity date of this loan was extended to 31 December 2022.

***Total secured borrowings including assets pledged as security***

On 16 November 2020, the consolidated entity repaid the final \$3,250,000 owing under the Pure Asset Management refinance facility.

Refer to note 24 for further information on financial instruments.

## 17 Borrowings (continued)

### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2021	2020
	\$	\$
<b>Total facilities</b>		
Pure Asset Management loan	-	3,500,000
Shareholder loans	2,250,000	2,750,000
	<b>2,250,000</b>	<b>6,250,000</b>
<b>Used at the reporting date</b>		
Pure Asset Management loan	-	3,500,000
Shareholder loans	2,250,000	2,750,000
	<b>2,250,000</b>	<b>6,250,000</b>
<b>Unused at the reporting date</b>		
Pure Asset Management loan	-	-
Shareholder loans	-	-
	<b>-</b>	<b>-</b>

### Accounting Policy - Borrowings

*Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.*

## 18 Derivative liability

In December 2019, 8,000,000 warrant shares were issued to Pure Asset Management as interest consideration on the borrowings. The warrants have an exercise price of \$0.30 and expiry date of 17 December 2023. Refer to Note 17 for details on the borrowings.

The fair value of the embedded derivative liability was determined using the Black-Scholes model using the following inputs:

	2021	2020
Share price at measurement date	\$0.19	\$0.09
Expected volatility	110.00%	90.00%
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.83%	1.47%
Carrying amount of liability	<b>\$770,910</b>	<b>\$450,782</b>

## 19 Leasing

	Maturity analysis			
	Within one year	One to five years	After five years	Total
	\$	\$	\$	\$
Lease payments	<u>981,281</u>	<u>3,682,614</u>	<u>-</u>	<u>4,663,895</u>
			2021	2020
Lease liabilities			\$	\$
Current			637,184	507,294
Non-current			<u>3,086,770</u>	<u>3,393,824</u>
			<u>3,723,954</u>	<u>3,901,118</u>

a) for the period from 1 April 2020 to 30 June 2020, 100.0% of the rent is deferred;

b) for the period from 1 July 2020 to 30 September 2020, 50.0% of the rent is deferred;

c) for the period from 26 October 2020 to 31 December 2020, 33.0% of the rent is deferred and 33.0% of the rent is waived; and

d) for the period from 19 February 2021 to 28 March, 33.5% of the rent is deferred and 33.5% of the rent is waived

*The consolidated entity has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.*

	2021	2020
	\$	\$
Right-of-use assets	2,999,477	2,999,477
Depreciation	(922,916)	(461,458)
	<u>2,076,561</u>	<u>2,538,019</u>

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**20 Equity - issued capital**

		<b>Consolidated</b>		
		<b>2021</b>	<b>2020</b>	
		<b>Shares</b>	<b>Shares</b>	<b>\$</b>
<b>a) Ordinary shares - fully paid</b>		<b>162,815,530</b>	<b>79,622,263</b>	<b>95,402,178</b>
				<b>82,506,939</b>
<b><i>Movements in ordinary share capital</i></b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1-Jul-19	66,932,951		79,276,500
Issue of shares to KMP	8-Nov-19	500,000	\$0.710	355,000
Issues of shares under Placement	8-Nov-19	8,255,172	\$0.290	2,394,000
Issues of shares under Placement	27-Nov-19	434,140	\$0.290	125,900
Issues of shares to KMP under Placement	17-Dec-19	344,828	\$0.290	100,000
Issue of shares to KMP in lieu of cash payments	17-Dec-19	155,172	\$0.290	45,000
Issue of shares towards purchase of distribution rights	12-Mar-20	3,000,000	\$0.140	420,000
Share issue transaction costs, net of tax		-		(209,461)
Balance	30-Jun-20	79,622,263		82,506,939
Issue of shares to employees under company's LTIP	30-Jul-20	50,000	\$0.092	4,600
Issue of shares under rights issue	30-Jul-20	26,541,959	\$0.075	1,990,647
Issue of shares under option	21-Aug-20	950,000	\$0.120	114,000
Issue of shares under option	28-Aug-20	3,000,000	\$0.149	446,473
Issue of shares under option	28-Aug-20	1,173,402	\$0.120	140,808
Issue of shares under option	3-Sep-20	94,625	\$0.120	11,355
Issue of shares to employees under company's LTIP	4-Sep-20	37,500	\$0.350	13,125
Issue of shares to employees under company's LTIP	16-Sep-20	7,813	\$0.075	586
Issue of shares under placement	18-Sep-20	13,999,998	\$0.075	1,050,000
Issue of shares to KMP in lieu of cash payments	18-Sep-20	344,476	\$0.103	35,484
Issue of shares under option	24-Sep-20	51,134	\$0.120	6,136
Issue of shares to employees under company's LTIP	2-Oct-20	12,500	\$0.075	938
Issue of shares under option	6-Oct-20	500,000	\$0.120	60,000
Issue of shares under option	25-Oct-20	28,000	\$0.120	3,360
Issue of shares under placement	6-Nov-20	28,571,429	\$0.280	8,000,000
Issue of shares to KMP	6-Nov-20	250,000	\$0.275	68,750
Issue of shares under option	11-Nov-20	586	\$0.120	70
Issue of shares under option	16-Nov-20	134	\$0.120	16
Issue of shares under option	17-Dec-20	2,778	\$0.120	334
Issue of shares under placement	17-Dec-20	7,142,857	\$0.280	2,000,000
Issue of shares to KMP	17-Dec-20	150,000	\$0.275	41,250
Issue of shares under option	5-Jan-21	12	\$0.120	1
Issue of shares under option	2-Feb-21	3,334	\$0.120	400
Issue of shares under option	23-Mar-21	266,667	\$0.120	32,000
Issue of shares to employees under company's LTIP	7-May-21	14,063	\$0.075	1,055
Share issue transaction costs, net of tax		-		(1,126,148)
Balance	30-Jun-21	<b>162,815,530</b>		<b>95,402,178</b>

***Ordinary shares***

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

20 Equity - issued capital (continued)

<b>b) Unlisted options issued</b>	<b>Options</b>
At 1 July 2019	3,642,500
- Options which expired unexercised	(522,188)
- Options issued under the LTIP	785,127
- Options cancelled on failure to meet vesting conditions	(76,872)
At the end of the reporting period - 30 June 2020	<b>3,828,567</b>
At 1 July 2020	3,828,567
- Options which expired unexercised	(3,254,268)
- Options issued under the LTIP	1,460,538
- Options exercised	(34,376)
- Options cancelled on failure to meet vesting conditions	(254,472)
At the end of the reporting period - 30 June 2021	<b>1,745,989</b>
<b>c) Listed options issued</b>	
At 1 July 2020	-
- Options issued	25,361,522
- Options exercised	(6,070,672)
- Options which expired unexercised	-
At the end of the reporting period - 30 June 2021	<b>19,290,850</b>
<b>d) Performance rights issued</b>	<b>Performance rights</b>
At 1 July 2019	500,000
- Performance rights issued	800,000
- Performance rights exercised	(500,000)
At the end of the reporting period - 30 June 2020	<b>800,000</b>
At 1 July 2020	800,000
- Performance rights issued	500,000
- Performance rights exercised	(400,000)
At the end of the reporting period - 30 June 2021	<b>900,000</b>

Refer to note 31 for share based payments in the current period.

**Capital risk management**

The Board controls the capital of the consolidated entity in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the consolidated entity can fund its operations and continue as a going concern. The consolidated entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

**Accounting Policy - Issued capital**

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**21 Equity - reserves**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Share based payments reserve	454,814	494,874
Contingent consideration equity reserve	1,320,000	1,320,000
Foreign currency translation reserve	(1,909)	-
	<b><u>1,772,905</u></b>	<b><u>1,814,874</u></b>

***Contingent consideration equity reserve***

The reserve records contingent equity consideration for the acquisition of the Asia Pacific distribution rights for the AngelMed Guardian System (refer to Note 10). The contingent consideration is made up of both cash payments (refer to Note 14) and equity issues. The equity contingent consideration component meets the definition of an equity as it is expected to be settled in a fixed number of shares.

***Movement in reserves***

Movement in each class of reserve during the current and previous financial year are set out below:

	<b>Contingent consideration equity reserve</b>	<b>Share based payments reserve</b>	<b>Other reserves</b>	<b>Total Reserves</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 30 June 2019	-	841,966	(31,529)	810,437
Share based payments	-	183,484	-	183,484
Removing prior year expired options	-	(175,576)	-	(175,576)
Cancelled options failing vesting conditions	-	-	-	-
Options exercised	-	-	-	-
Performance rights exercised	-	(355,000)	-	(355,000)
Contingent equity consideration	1,320,000	-	-	1,320,000
Reclassification - transfer to accumulated losses	-	-	31,529	31,529
Balance at 30 June 2020	1,320,000	494,874	-	1,814,874
Share based payments	-	426,771	-	426,771
Removing prior year expired options	-	(311,775)	-	(311,775)
Cancelled options failing vesting conditions	-	(18,242)	-	(18,242)
Options exercised	-	(26,814)	-	(26,814)
Performance rights exercised	-	(110,000)	-	(110,000)
Contingent equity consideration	-	-	-	-
Movement in functional currency of foreign operations	-	-	(1,909)	(1,909)
Balance at 30 June 2021	<b><u>1,320,000</u></b>	<b><u>454,814</u></b>	<b><u>(1,909)</u></b>	<b><u>1,772,905</u></b>

***Accounting Policy - Equity reserves***

***Share based payments reserve***

*The share based payments reserve records items recognised as expenses on valuation of employee share options and performance rights.*

***Contingent consideration equity reserve***

*The contingent consideration equity reserve is measured based on the share price and number of shares to be issued under the tranche payment and the probability of meeting the required milestones on acquisition date. Equity is not subsequently remeasured.*

***Foreign currency translation reserve***

*The foreign currency translation reserve is used to recognise increments and decrements in the fair value of foreign currency through other comprehensive income.*

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**22 Equity - accumulated losses**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(82,025,843)	(78,950,429)
Loss after income tax expense for the year	(9,778,693)	(3,219,461)
Transfer from options reserve to account for exercised options	9,089	
Transfer from options reserve to account for expired options	330,017	175,576
Transfer from financial assets reserve to account for change in accounting policy	-	(31,529)
Accumulated losses at the end of the financial year	<b>(91,465,430)</b>	<b>(82,025,843)</b>

**23 Reconciliation of loss after income tax to net cash from operating activities**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Total comprehensive loss for year</b>	(9,780,602)	(3,219,461)
Adjustments for:		
Effects of exchange rate changes on cash and cash equivalents	25	-
Income tax expense / (benefit)	-	346,727
Debt extinguishment loss	-	1,063,586
Depreciation and amortisation	2,446,900	1,160,581
Gain/(Loss) on contingent consideration liability	190,486	85,994
Gain/(Loss) on financial instruments at fair value through profit or loss	69,825	(927,303)
Impairment of goodwill	1,269,400	-
Impairment of plant and equipment	-	201,652
Impairment of receivables	(94,602)	133,091
Non-cash finance charges	257,403	166,715
Services rendered for equity	(249,999)	(812,500)
Share based payments	426,771	183,484
Directors and consultant fees paid by issue of ordinary shares	35,484	45,000
Unrealised foreign exchange (Gain)/Loss	79,537	(280,938)
Unwinding of the discount on provisions	(838)	9,355
Interest on convertible note	(6,875)	-
Interest received	(15,328)	(11,875)
Interest and other finance costs paid	943,605	1,131,485
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,358,308	429,095
Decrease/(increase) in contract assets	(408,712)	169,684
Decrease/(increase) in prepayments	(38,204)	31,123
Decrease/(increase) in inventory	(11,281)	-
Decrease/(increase) in other assets	(66,834)	(26,004)
Increase/(decrease) in trade and other payables	282,292	(763,765)
Increase/(decrease) in contract liabilities	310,709	655,046
Increase/(decrease) in provisions	121,223	32,274
Increase/(decrease) in other liabilities	(51,938)	-
<b>Net cash from operating activities</b>	<b>(1,933,245)</b>	<b>(196,954)</b>

## 24 Financial Instruments

### *Financial risk management objectives*

The entity's activities expose it to a variety of financial risks: market risk (consisting of interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. Receivables balances are in general unsecured and non-interest-bearing. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

### *Market risk*

#### *Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. As at 30 June 2021 all borrowings were at fixed rates.

The consolidated entity's shareholder loans outstanding, totalling \$2,250,000 (2020: \$2,750,000), are interest only loans. Monthly cash outlays of \$11,250 (2020: \$13,750) are required to service the interest payments. As at 30 June 2021, no repayments on the loans were due until 17 March 2022. Subsequent to the end of the financial year, repayments on the loans were extended to 31 December 2022.

#### *Price risk*

The consolidated entity is exposed to equity securities price risk arising from investments held by the consolidated entity and classified on the Statement of Financial Position as fair value through profit or loss of \$2,893,492 (2020: \$2,234,704).

### *Sensitivity Analysis*

At reporting date, if equity prices had been 10% lower/higher, profit or loss before income tax of the consolidated entity would have decreased/increased by \$256,530 (2020: \$223,470).

The following investments constitute 5% or more of the consolidated entity's equity portfolio:

Company	Fair Value (\$)	%
<b>2021</b>		
Angel Medical Systems, Inc.	1,330,182	51.2%
Cyban Pty Ltd	400,050	15.4%
Gyder Surgical Pty Ltd	835,071	32.1%
Company	Fair Value (\$)	%
<b>2020</b>		
Angel Medical Systems, Inc.	1,625,000	72.7%
Cyban Pty Ltd	200,010	9.0%
Gyder Surgical Pty Ltd	379,470	17.0%

### *Liquidity risk*

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The shareholder loan facilities have been fully drawn down as at the reporting date.

Hydrix Limited  
Notes accompanying the financial statements  
For the year ended 30 June 2021

24 Financial Instruments (continued)

2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables		346,322	-	-	-	346,322
Other payables		260,208	-	-	-	260,208
Accrued liabilities		922,863	-	-	-	922,863
<i>Interest-bearing - fixed rate</i>						
Pure Asset Management loan	10.00%	-	-	-	-	-
Shareholder loans	0.00%	1,000,000	1,250,000	-	-	2,250,000
Total non-derivatives		<u>2,529,393</u>	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>3,779,393</u>
<b>Derivatives</b>						
Warrants		<u>770,910</u>	-	-	-	<u>770,910</u>
Total derivatives		<u>770,910</u>	-	-	-	<u>770,910</u>
2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables		684,371	-	-	-	684,371
Other payables		363,619	-	-	-	363,619
Accrued liabilities		199,111	-	-	-	199,111
<i>Interest-bearing - fixed rate</i>						
Pure Asset Management loan	10.00%	250,000	-	3,250,000	-	3,500,000
Shareholder loans	6.00%	-	1,000,000	1,750,000	-	2,750,000
Total non-derivatives		<u>1,497,101</u>	<u>1,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>7,497,101</u>
<b>Derivatives</b>						
Warrants		<u>450,782</u>	-	-	-	<u>450,782</u>
Total derivatives		<u>450,782</u>	-	-	-	<u>450,782</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

#### **Accounting Policy - Financial instruments**

##### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

##### Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

##### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

##### *(iii) Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at fair value with any measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Financial assets at fair value through other comprehensive income are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period.

##### *(iv) Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

##### Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**25 Key Management Personnel**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel (KMP) of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	409,887	497,444
Fees paid to director	82,536	228,436
Post-employment benefits	39,435	50,128
Long-term benefits	5,014	5,886
Share-based payments:		
- Expensed during the year	157,518	148,431
	<b>694,390</b>	<b>930,324</b>

Further information in relation to remuneration paid or payable to each member of the consolidated entity's KMP can be found in the Director's Remuneration Report.

**26 Auditors remuneration**

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Audit services - Grant Thornton Audit Pty Ltd	130,000	60,000
Audit or review of the financial statements	<b>130,000</b>	<b>60,000</b>

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Tax Services - Grant Thornton Australia Limited	35,885	-
Other services	<b>35,885</b>	<b>-</b>

**27 Related party transactions**

*Parent entity*

Hydrix Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 29.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the director's report.

*Transactions with related parties*

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loans received from shareholders	-	1,544,717
Loans repaid to shareholders	500,000	3,000,000
Interest expenses on loans from shareholders	153,759	335,052

*Receivable from and payable to related parties*

There were no receivables from / payables to related parties as at reporting date (30 June 2020: nil).

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**27 Related party transactions (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Loans to/from related parties</i>		
Loans from shareholders	<u>2,250,000</u>	<u>2,750,000</u>

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates. Terms of the loans are disclosed in note 17.

**28 Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
(Loss) after income tax	<u>(2,363,045)</u>	<u>(2,274,906)</u>
Total comprehensive income	<u>(2,363,045)</u>	<u>(2,274,906)</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Total current assets	<u>6,057,074</u>	<u>1,176,246</u>
Total assets	<u>21,683,145</u>	<u>14,322,931</u>
Total current liabilities	<u>1,031,911</u>	<u>763,656</u>
Total liabilities	<u>3,290,393</u>	<u>6,761,419</u>
Equity		
Issued Capital	95,402,178	82,506,939
Reserves	1,774,814	1,814,874
Accumulated losses	<u>(78,784,240)</u>	<u>(76,760,301)</u>
Total Equity	<u><b>18,392,752</b></u>	<u><b>7,561,512</b></u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity, and the subsidiaries are not a party to a deed of cross guarantee.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 (2020: nil)

*Capital commitments - Plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 30 June 2021 and 30 June 2020.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**29 Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Hydrix Services Pty Ltd	Australia	100%	100%
Hydrix Ventures Pty Ltd	Australia	100%	100%
Hydrix Medical Pty Ltd	Australia	100%	100%
Hydrix Medical Pte Ltd	Singapore	100%	100%

**30 Earnings per share**

	Consolidated	
	2021 \$	2020 \$
Loss after income tax attributable to the owners of Hydrix Limited	(9,778,693)	(3,219,461)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	142,927,338	74,014,724
Anti-dilutive shares excluded from weighted average number of ordinary shares:		
Options over ordinary shares	21,036,839	3,828,567
Warrant shares	8,000,000	8,000,000
Contingent equity consideration	12,000,000	12,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	142,927,338	74,014,724
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(6.84)	(4.35)

In addition to the 1,745,989 non-quoted options issued under the LTIP (refer to Note 31) the following HYDO options were in existence during the year:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
30-Jul-20	31-Jul-22	\$0.120	-	8,847,531	3,070,672	-	5,776,859
31-Jul-20	31-Jul-22	\$0.120	-	11,847,325	3,000,000	-	8,847,325
18-Sep-20	31-Jul-22	\$0.120	-	4,666,666	-	-	4,666,666
			-	<b>25,361,522</b>	<b>6,070,672</b>	-	<b>19,290,850</b>

During July 2020 20,694,856 options were issued under the Entitlement and Underwriter Offer. On 18 September 2020 a further 4,666,666 options were issued under the Placement Offer. These options can be transferred and are quoted on the ASX (ASX: HYDO).

**Accounting Policy - Earnings per Share**

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Hydrix Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.



**Hydrix Limited**  
**Notes accompanying the financial statements**  
**For the year ended 30 June 2021**

**31 Share-based payments**

On 31 July 2020 3,000,000 HYDO options with a fair value of \$86,473 were granted to the lead underwriter of the Entitlement Offer. On 19 September 2020 344,476 shares were issued to Mr Paul Kelly in lieu of cash payments for fees at an issue price of \$0.1030 per share and a total fair value of \$35,484. On 6th November 2020 250,000 shares were issued to key management personnel with a total fair value of \$68,750. A further issue of 150,000 shares with a total fair value of \$41,250 was made to key management personnel on 17 December 2020 as identified in the issued capital disclosure (refer to note 20).

**Recognised share-based payment expenses**

The expense recognised from employee services received during the year is shown in the table below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Expenses arising from equity-settled share-based payment transactions	426,771	183,484

**Types of share-based payment plan**

*Employee Share Option Plan, 'ESOP'*

A Long Term Incentive Plan (LTIP) has been established and approved by shareholders where the company may, at the discretion of the Board, grant options over the ordinary shares of Hydrix Limited to Directors, Executives, contractors and employees of the consolidated entity. The exercise of the options are subject to time-based and performance-based vesting conditions. The options cannot be transferred and will not be quoted on the ASX.

The following non-quoted options were in existence during the 2021 financial year.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired	Balance at the end of the year
7-Aug-18	31-Jul-20	\$0.800	2,250,000	-	-	2,250,000	-
9-Nov-18	31-Jul-20	\$0.800	875,000	-	-	875,000	-
9-Mar-20	30-Jun-25	\$0.290	703,567	-	-	168,252	535,315
8-Sep-20	30-Jun-25	\$0.075	-	878,038	7,813	215,488	654,737
2-Oct-20	30-Jun-25	\$0.075	-	582,500	26,563	-	555,937
			<b>3,828,567</b>	<b>1,460,538</b>	<b>34,376</b>	<b>3,508,740</b>	<b>1,745,989</b>

The options issued under the LTIP vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

**Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2021 is 4 years (2020: 1 year)

**Range of exercise price**

The range of exercise prices for options outstanding at end of the year was \$0.075 - \$0.29 (2020: \$0.29 - \$0.80).

The following performance rights were in existence during the 2021 financial year.

Grant date	Vesting date	Exercise price	Fair value at grant date	Balance at the start of the year	Performance rights granted	Performance rights exercised	Balance at the end of the year
17-Dec-19	30-Jun-20	\$0.00	\$0.26	250,000	-	250,000	-
17-Dec-19	30-Jun-20	\$0.00	\$0.26	150,000	-	150,000	-
17-Dec-19	30-Jun-21	\$0.00	\$0.28	250,000	-	-	250,000
17-Dec-19	30-Jun-21	\$0.00	\$0.28	150,000	-	-	150,000
17-Dec-20	30-Jun-21	\$0.00	\$0.26	-	250,000	-	250,000
17-Dec-20	30-Jun-22	\$0.00	\$0.26	-	250,000	-	250,000
				<b>800,000</b>	<b>500,000</b>	<b>400,000</b>	<b>900,000</b>

The performance rights vest subject to satisfaction of prescribed vesting conditions including financial, operational, corporate governance, strategic planning and business development objectives set by the Board.

### 31 Share-based payments (continued)

**Weighted average remaining contractual life**

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2021 is 1 year and three months (2020: 1 year and six months).

**Weighted average fair value**

The weighted average fair value of performance rights granted during the year was \$0.275 (2020: \$0.275).

For movements in share options during the prior year, refer to note 20.

For the performance rights granted during the current financial year, the fair value at the grant date was equal to the share price.

**Accounting Policy - Share-based payments**

*Equity-settled and cash-settled share-based compensation benefits are provided to employees.*

*Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.*

*The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.*

*The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.*

*Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.*

*If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.*

*If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.*

*If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.*

### 32 Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2021 (2020: nil).

**33 Events after the reporting period**

On 2 August 2021 the consolidated entity announced that Angel Medical Systems had completed the first commercial implantation in the USA of the Guardian device.

On 11 August 2021 the consolidated entity established Hydrix Medical New Zealand Limited as a wholly owned subsidiary of Hydrix Medical Pty Ltd.

On 27 August 2021 the consolidated entity deferred the 17 March 2022 maturity of the \$1,000,000 unsecured shareholder loan to 31 December 2022.

During July and August 2021, the Victorian Government made multiple public health and safety directions that required the consolidated entity to reduce its on-site operations due to the COVID-19 pandemic. The consolidated entity's business remains operational after complying with the additional restrictions, with most employees having already transitioned to working from home where possible. Where work is permitted on-site, the consolidated entity continues to operate with processes and protocols in place to support the safety and wellbeing of our

**Hydrix Limited**  
**Directors' Declaration**  
**30 June 2021**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

---

Mr Gavin Coote  
**Executive Chairman**  
Dated: 31 August 2021

# Independent Auditor's Report

## To the Members of Hydrix Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Hydrix Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Consolidated Entity incurred a net loss before tax of \$9,778,693 and reported cash used in operations of \$1,933,245 during the year ended 30 June 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Carrying value of intangible assets and right-of use assets – Note 10 and Note 19</b>	
<p>At 30 June 2021, the carrying values of intangible assets is \$4,985,965 (inclusive of goodwill, brand name, distribution rights, customer relationships and software) and right-of-assets is \$2,076,561.</p> <p>In accordance with AASB 136 <i>Impairment of Assets</i>, the Consolidated Entity is required to assess if there are any indicators of impairment and in respect to goodwill, brand name, distribution rights, assess if the carrying value of each Cash Generating Unit (CGU) is in excess of the recoverable amount of intangible assets.</p> <p>This area is a key audit matter due to the high level of management judgement and estimation required to determine the recoverable amount of the CGU.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the value-in-use (VIU) model for goodwill, brand name and distribution rights for compliance with AASB 136;</li> <li>• Verifying the mathematical accuracy and methodology appropriateness of the underlying VIU calculations;</li> <li>• Evaluating the cash flow projections by assessing management's ability to historically forecast by comparing actual results to previous forecasts;</li> <li>• Assessing key judgements and assumptions and performed a sensitivity analysis of the inputs in the model;</li> <li>• Reviewing management's assessment of the existence of impairment indicators on other intangible assets and right-of-use assets during the year;</li> <li>• Reviewing management's assessment of the estimated useful life of customer relationships and software; and</li> <li>• Assessing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.</li> </ul>
<b>Revenue recognition – Note 4</b>	
<p>For the year ended 30 June 2021, the Consolidated Entity recognised revenue of \$7,445,221 (2020: \$14,934,225) from variable and fixed price service contracts. Revenue is recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i>.</p> <p>The process to measure the amount of revenue to recognise in the financial statements, including the identification of performance obligations, evaluation of stand-alone selling prices and timing of revenue recognition, involves significant management judgement.</p> <p>This area is a key audit matter due to the complexity and judgement associated with the recognition of revenue.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of revenue trends for significant revenue categories through analytical review;</li> <li>• Testing a sample of revenue contracts to supporting documentation and assessing whether revenue recognition is in compliance with AASB 15;</li> <li>• Testing the accuracy of revenue recognition where consideration is in the form of equity issued in the customer's share capital;</li> <li>• Reviewing the progress of fixed price contracts to critically assess management's estimates of project stage of completion and progress against budget; and</li> <li>• Assessing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.</li> </ul>

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 11 to 15 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Hydrix Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 31 August 2021