

30 September 2021 Quarter Activity Report & Appendix 4C

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its **Appendix 4C** for the three months ended 30 September 2021 (**1Q21**).

1Q22 Highlights¹

- Group revenues of \$2.71m
- Group net cash used in operating activities of \$2.29m (*refer to Appendix 4C*)
- Pro forma cash \$6.64m includes \$4.37m of cash on hand plus \$2.27m HYDO \$0.12c options
- Applications made to the TGA for AngelMed Guardian's inclusion on the Australian Register of Therapeutic Goods (ARTG) and to the Health Sciences Authority (HSA) in Singapore
- Good discussions with cardiovascular physicians for commencement of first implants of the Guardian system in both Australia and New Zealand
- Angel Medical Systems USA commenced commercial reimbursed sales in the USA
- Hydrix recognised by Good Design Awards Australia with two different successful product awards, and subsequent to quarter end
- Hydrix appointed Mr Paul Lewis MBE to the Board as Non-Executive Director on 28 October 2021

Outlook and potential news flow for remainder of FY22

- Ready to commence first in human trials of Phyzhon's cardiac catheter guidewire in Melbourne once product arrives from supplier
- First implants of the Guardian system in Australian and New Zealand under special access schemes
- TGA regulatory approval for the Guardian system followed by commencement of commercial sales
- Significant revaluations of Venture portfolio investments
- Net cash used in operating activities is anticipated to decline over remaining quarters

Hydrix Executive Chairman, Gavin Coote, provided the following business comments:

We were pleased to release our Annual Report this week titled '*Growth Through Medtech Innovation*' and to also release our updated Investor presentation "*Making the World a Better Place*". These reports reference the Company's outlook as a fast emerging global medtech product company with several products in market with the potential to produce \$50 million in revenue p.a. by 2025 and advancing the company's vision to improve a billion lives.

I was very pleased to welcome Mr Paul Lewis MBE to the Board of Hydrix, a highly accomplished and respected global business leader, with extensive Boardroom experience, which was announced on 26 October 2021. Please read our recent ASX releases at [HYDRIX](#) for further information.

Our strategic market focus is on developing and bringing to market cardiovascular technologies. Afflicting 14% of the global population, cardiovascular disease (CVD) is the leading cause of death globally (31%). We have two CVD products progressing towards first commercial sales in CY22 and recently launched

LUDO, an internally developed controller system to support early stage heart pump and artificial heart start-up companies, accelerate their product development. The addressable cardiovascular device market is estimated at ~US\$70B annually. The Company is actively evaluating and pursuing additional products & services that help improve outcomes for patients with CVD, and lower healthcare costs.

Group Financial Highlights & Outlook

Net cash used in operating activities is anticipated to be lower for the remaining quarters of FY22, noting 1QFY22 included non-recurring staff and other discretionary costs. While the outlook remains fluid, we expect to increase engineering services revenues, commence medical product sales, and lower occupancy costs as rental waivers and deferral benefits are received.

The Company finished the quarter with **\$4.4 million cash on hand** and has 18,964,081 listed \$0.12 HYDO options expiring 31 July 2022, which if exercised, will provide \$2,275,689 in cash receipts.

The Company's revenue outlook is improving with **1HFY21 customer revenues trending to \$5 million** compared to full year FY21 customer revenues of \$7.5 million.

Hydrix Medical Business Progress

Further updates since the market announcement provided on 14 September 2021:

- We submitted to an ethics committee for approval to conduct a clinical trial with the Guardian, which while not required for TGA approval, will help drive market engagement among key opinion leaders and lead to market adoption
- We continue to advance market readiness to commence commercial sales of the AngelMed Guardian in anticipation of the Australian TGA approving its inclusion on the Australian Register for Therapeutic Goods
- We have completed New Zealand Web Assisted Notification of Devices (WAND) registration and are taking steps to be market ready for patient implants as NZ exits COVID lockdowns
- We have made good progress with regulatory applications in Australia, Singapore, Malaysia, Thailand, and Hong Kong, and in our discussions with several sub-distributors
- We have received ethics committee approval to commence the Phyzhon First-in-Human study as soon as devices arrive from the USA supplier into Melbourne

Hydrix Product Development Services Activities

Hydrix is building on its rich 20-year history in product development innovation. The Company achieved successful product commercialisation outcomes with clients during the quarter and invested time with some of Australia's emerging medtech 'bright stars' of the future:

- Launch of **LUDO Mechanical Circulatory Support (MCS)** development platform. This product offering enables us to engage earlier, and potentially longer, with global cardiovascular technology clients engaged in the development of ventricular assist devices (VAD) and total artificial heart (TAH) technology. Early market reaction to the launch of this platform technology has been very positive
- Launch and sponsorship of **Heart Hackathon**, a global, tertiary student run, artificial heart engineering challenge. In partnership with Monash University and the International Society of Mechanical Circulatory Support (ISMCS), Hydrix is a foundation sponsor of this year-long event which will drive student awareness and interest in working in the cardiac assist market. As platinum sponsor, the competition will help promote Hydrix and LUDO into global education, start-ups, and commercialisation communities

- Award winning products. The Hydrix team was thrilled with the announcement of **Australian Good Design Awards** for our two product entries. Wins were achieved for the **LUDO platform** mentioned above, and for our involvement in **ANSTO's product** development of the successfully market launched **CORIS360**, an advanced radiation imaging platform. The CORIS360 has applications in markets including defence, mining, radioactive site remediation, providing quick and accurate visual identification of radiation, improving operational decision making and enhancing safety of workers operating in (potentially) radioactive environments

Hydrix Ventures Business Update

- All four venture investments made significant progress during the quarter with product development and commercialisation milestones. Based on these and milestones in the outlook period, we expect to report at the half year and at year end, material positive revaluations
- We continue to evaluate several high potential client venture opportunities where Hydrix can provide key product development & regulatory services, including where Hydrix could acquire or distribute portfolio company products in the future.

-ENDS-

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

Contact Details: For more information, please contact:

Company Enquiries:

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

Media Enquires:

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

About Hydrix Limited

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

(1) All numbers are unaudited

Appendix 4C

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

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,422	2,422
1.2	Payments for		
	a) research and development	-	-
	b) product manufacturing and operating costs	(539)	(539)
	c) advertising and marketing	(39)	(39)
	d) leased assets	-	-
	e) staff costs	(3,337)	(3,337)
	f) administration and corporate costs	(686)	(686)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(34)	(34)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(76)	(76)
1.9	Net cash from / (used in) operating activities	(2,286)	(2,286)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	(35)	(35)
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	-
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(35)	(35)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	42	42
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	42	42

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,647	6,647
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,286)	(2,286)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(35)	(35)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	42	42
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	4,368	4,368

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,368	6,647
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,368	6,647

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	153
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

The amount at 6.1 includes full-time salary payments to the Executive Chairman, payments of directors' fees, and payments of interest on funds borrowed from E.L.G Nominees Pty Ltd and John W King Nominees Pty Ltd.

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000															
7.1	Loan facilities	2,250	2,250															
7.2	Credit standby arrangements	-	-															
7.3	Other (please specify)	-	-															
7.4	Total financing facilities	2,250	2,250															
7.5	Unused financing facilities available at quarter end																	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																	
<table><tr><th>Lender</th><th>Loan Amount</th><th>Interest rate (p.a)</th><th>Maturity date</th><th>Security</th></tr><tr><td>E.L.G. Nominees Pty Ltd*</td><td>\$ 1,000,000</td><td>6%</td><td>31/12/2022</td><td>Unsecured</td></tr><tr><td>John W King Nominees Pty Ltd**</td><td>\$ 1,250,000</td><td>6%</td><td>31/01/2023</td><td>Unsecured</td></tr></table>				Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security	E.L.G. Nominees Pty Ltd*	\$ 1,000,000	6%	31/12/2022	Unsecured	John W King Nominees Pty Ltd**	\$ 1,250,000	6%	31/01/2023	Unsecured
Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security														
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John W King Nominees Pty Ltd**	\$ 1,250,000	6%	31/01/2023	Unsecured														
*E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company.																		
**John W King Nominees Pty Ltd is a company associated with John King, a related party of the Company.																		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,286)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,368
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,368
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<p>Answer: No. Net cash used in operating activities is anticipated to be lower for the remaining quarters of FY22, noting 1QFY22 included non-recurring staff and other discretionary costs. While the outlook remains fluid, we expect to increase engineering services revenues, commence medical product sales, and lower occupancy costs as rental waivers and deferral benefits are received.</p>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	<p>Answer: The Company has 18,964,081 listed \$0.12 HYDO options expiring 31 July 2022, which if exercised, will provide \$2,275,689 in cash receipts.</p>	

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

Answer: Yes. Based on the improving outlook noted above, cash on hand and proceeds from the exercise of listed HYDO options.

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

Compliance statement

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

Date: 29 October 2021

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

Notes

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