

## "Hydrix reports strong international medtech revenues & ventures value growth"

**Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD)** today released its Appendix 4E and Full Year 30 June 2022 Audited Financial Accounts.

### Group Financial Highlights

- 39% increase in group customer revenues of \$10.3m from PCP
- Greater than 50% of revenues from outside Australia, more than 40% from cardiovascular technologies
- 35% increase in Ventures portfolio from valuation uplifts and follow-on investments
- Loss from ordinary activities down 43% to \$5.5m from PCP.

### Group Events Subsequent to Year End

- Announced 12c Loyalty Option Program to shareholders with potential to raise \$5.2m<sup>1</sup> in calendar year 2023, each with an attaching 1 for 2 Piggyback Option if Loyalty options are exercised by 30 April 2023
- Received Singapore regulatory approval to market & distribute the Guardian in Singapore
- Australia's largest cardiology group began screening for patients suitable for Guardian implants.

### Group Business Outlook

- +20% growth in Services business expected to drive return to profitability in FY23
- Commence Guardian sales & implants in Australia (pending TGA regulatory approval), Singapore, New Zealand, and Malaysia
- Uplift in Venture portfolio valuation as investee companies reach key inflection points.

### Hydrix Executive Chairman Gavin Coote commented

*"I'm very pleased to report strong progress across the business. We have a much-improved sales and profit outlook for the Services business, substantial progression by Venture companies towards key inflection points, and significant progress in preparing The Guardian for market launch in our numerous geographies.*

*"Overall, our results clearly demonstrate that the business remains on track, with a healthy pipeline, and strategy to become a profitable, global, diversified medtech company. We are confident progress with our key Group priorities will accelerate our momentum in FY23 and beyond."*

**FY22 Audited Financial Accounts Highlights**

Operating revenues and income for the Group increased 38% to \$10.46 million up from \$7.58 million in the prior year (excluding government grants in the prior year of \$1.72 million).

- A majority of the Group's \$10.46 million of revenue was derived from Hydrix Services (\$10.32 million). Excluding government grants, Hydrix Services achieved 40% year-on-year revenue growth from external customers
- Substantial increases to already contracted work, and a strong pipeline for product development services, will continue to drive strong revenue growth and margin improvement in the year ahead, returning Services to profitability
- Hydrix Medical is pre-commercial revenue and continued to invest in the market development of its two disruptive cardiac medical device technologies that are under exclusive distribution arrangements. This business segment incurred approximately \$0.59 million of costs advancing regulatory and medical procedure reimbursement processes to commercialise The Guardian system and pursuing strategic initiatives to procure additional cardiovascular products. Revenue from cardiac product sales is anticipated to be a major growth catalyst for the Group
- Hydrix Ventures made further early-stage investments during the year, which included increasing its holdings in both Cyban Pty Ltd and Gyder Surgical Pty Ltd, and securing 3,000,000 unlisted options in listed client, Memphasys Limited (ASX: MEM). The portfolio valuation increased 35% from \$2.85 million to \$3.84 million, with significant other income anticipated in the coming 12 to 24 months as portfolio companies reach major inflection points.

Cash used in operating activities to support the growth and expansion of the Group was \$6.12 million, up from \$1.93 million in the prior year. Primary factors attributable for the year-on-year increased use of cash reported in the accounts include:

- Increased working capital of \$1.83 million in support of the 39% growth in customer revenues
- Decreased COVID-Government grants of \$1.72 million (reported as Other income in revenues)
- Increased spend of \$0.75 million on employee costs to support client revenue growth
- Increased spend of \$0.52 million on regulatory and other strategic corporate initiatives to accelerate and scale-up the medical business.

The operating loss before income tax for the Group decreased by 43% year-on-year to \$5.55 million, down from \$9.78 million in the prior year. The factors primarily attributable to the improved operating result include:

- Improved financial performance of the Services business offset by increased operating costs to commercialise and scale the Medical products business
- Significant reduction in finance costs (down \$0.65 million) on debt facilities
- Movements in non-cash costs including prior year goodwill impairment charges (\$1.27 million), gains on financial instruments (\$1.1 million), and reduction in depreciation and amortisation charges (\$1.3 million).

## Group Cash Outlook

The Group's cash on hand position reported at 30 June 2022 was \$1.94 million. The Company reported net cash used in operating activities for the June quarter Appendix 4C of \$1.2 million lower than the March 2022 quarter of \$2.0 million.

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

- Achievement of Group priorities accelerating business momentum in FY23
- Services revenue growth and improving profitability outlook for that business
- Future product revenues and gross profit margins from the distribution of cardiovascular products
- Venture portfolio companies nearing significant valuation inflection points
- On 8 August 2022, the Company announced a shareholder loyalty option program including 12c options expiring on 31 December 2023:
  - If option holders exercise these 12c options on or before 30 April 2023, for each option exercised, the option holder will be granted a 28c Piggyback option expiring 30 April 2025. Cash from the exercise of the 12c options equates to \$5.2 million and the 28c piggyback options \$6.1 million (if exercised, expire 30 April 2025).<sup>1</sup>
  - In addition, as part of the Company's February 2022 Placement, 18c options expiring 31 March 2024 were granted, which if exercised, will provide cash of \$5.1 million
- In the event additional capital is required, the directors believe the Group would be able to raise capital to support strategic growth initiatives and working capital.

## Group Priorities

<b>Hydrix Services</b>	<b>FY23 Revenue</b> <ul style="list-style-type: none"> <li>• Achieving on trend (20%) revenue growth</li> <li>• Achieving sales growth and improving margins</li> <li>• Targeting profitability in FY23</li> </ul>
<b>The Guardian</b>	<b>Q3 CY22: Finalise Australian clinical trial registry site Initiation (completed)</b> <ul style="list-style-type: none"> <li>• National cardiology group commences recruiting patients for first implants</li> <li>• Complete first implants of The Guardian in Australia (special access scheme)</li> </ul> <b>H2 CY22: Pending Australian TGA regulatory approval of The Guardian</b> <ul style="list-style-type: none"> <li>• Commence commercial sales to public hospitals in Australia &amp; New Zealand</li> <li>• Lodge application for public funding with the Medical Services Advisory Committee (MSAC) for surgical procedure reimbursement</li> <li>• Target Q1 CY23 MSAC Committee review meeting</li> </ul> <b>Q3-Q4 CY23: Australian private insured patient reimbursement</b> <ul style="list-style-type: none"> <li>• Lodge application to Prothesis List Advisory Committee (PLAC) for private health insurance reimbursement pending MSAC approval</li> <li>• Target Q3 CY23 PLAC Committee review meeting</li> </ul>

	<ul style="list-style-type: none"> <li>Commence reimbursed private insured patient implants pending The Guardian being added to the Prothesis List</li> </ul> <b>Q3-Q4 CY22: Singapore HSA regulatory approval announced 15 August 2022</b> <ul style="list-style-type: none"> <li>Commence personally funded patient implants</li> <li>Lodge application during CY23 for listing on the CY2024 Table of Surgical Procedures (TOSP) Listing for Medisave / Medshield Life insurance reimbursement</li> </ul>
<b>Phyzhon FFR Wire</b>	<b>Q4 CY22: receive FFR wires and Consoles for trials in Australia</b> <ul style="list-style-type: none"> <li>Commence Phyzhon FFR Wire first in human (FIH) trial in Melbourne</li> </ul>
<b>Venture Portfolio: Gyder Surgical</b>	<b>H1 CY23: Hip surgical navigation system for implants</b> <ul style="list-style-type: none"> <li>Submissions to FDA and TGA for regulatory approval</li> </ul>

<sup>1</sup> Based on the Company's current issued share capital of 197,643,280 shares and excluding \$0.005 subscription amount to purchase option.

**-ENDS-**

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

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**About Hydrix Limited**

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix's purpose is to enhance the health, safety, and wellbeing of a billion lives. The company leverages its powerful product innovation capability across three complimentary commercial business segments. These segments are **Hydrix Services**: design and engineer products that transform markets; **Hydrix Ventures**: invest in high potential medtech clients; and **Hydrix Medical**: distribute disruptive cardiovascular products.

## 1 Company Information

Name of entity:	HYDRIX LIMITED
ABN:	84 060 369 048
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

## 2 Results for announcement to the market

Revenues from ordinary activities <sup>1</sup>	up	37.8% to	\$ 10,468,453
<sup>1</sup> Revenues from ordinary activities excludes government grants			
(Loss) from ordinary activities after tax attributable to the owners of Hydrix Limited	down	43.3% to	(5,546,389)
(Loss) for the year attributable to the owners of Hydrix Limited	down	43.2% to	(5,550,733)

### Dividends

The consolidated entity does not propose to pay a dividend.

No dividend or distribution plans are in operation.

### Comments

For the financial year 2022, the consolidated entity recorded: a loss from ordinary activities after income tax of \$5,546,389 (2021: \$9,778,693) and net cash used in operating activities of \$6,124,447 (2021: \$1,933,245). The consolidated entity's results for the year reflect the challenging operating environment caused by COVID-19 and ongoing investments in the medical product distribution business and venture investment portfolio.

## 3 Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security (including right-of-use assets)	(0.65)	0.44

## 4 Control gained over entities

On 11 August 2021 the company incorporated a subsidiary, Hydrix Medical New Zealand Limited.

## 5 Loss of control over entities

Not applicable.

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

Not applicable.

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**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.

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

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the FY2022 Financial Report which accompanies this Appendix 4E.

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**9 Attachments**

*Details of attachments (if any):*

The audited Financial Report of Hydrix Limited for the year ended 30 June 2022 is attached.

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**10 Signed**



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Mr Gavin Coote  
**Executive Chairman**  
Melbourne

Date: 30-August-2022



***HYDRIX LIMITED***  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**  
**ABN: 84 060 369 048**

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**30 June 2022**

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**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 30 August 2022. The directors have the power to amend and reissue the financial statements.



**Directors**

Mr Gavin Coote  
(Executive Chairman)

Ms Julie King  
(Non-Executive Director)

Ms Joanne Bryant  
(Non-Executive Director)

Mr Paul Wright  
(Non-Executive Director)

Mr Paul Lewis  
(Non-Executive Director)

**Company Secretary**

Ms Alyn Tai

**Registered Office**

30-32 Compark Circuit  
Mulgrave VIC 3170  
Phone: (03) 9550 8100

**Principal place of business**

30-32 Compark Circuit  
Mulgrave VIC 3170

**Share register**

Boardroom Pty Limited  
Grosvenor Place  
Level 12, 225 George Street  
Sydney NSW 2000

**Auditor**

Grant Thornton Audit Pty Ltd  
Collins Square, Tower 5  
727 Collins Street  
Melbourne VIC 3008

**Solicitor**

Holding Redlich  
Level 8, 555 Bourke Street  
Melbourne VIC 3000

**Stock Exchange Listing**

Hydrix Limited's shares are listed on the  
Australian Securities Exchange (ASX code: HYD)

**Website**

[www.hydrix.com](http://www.hydrix.com)

**Country of incorporation and domicile**

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 2022.

#### **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.

**Mr Paul Lewis MBE**

*Non-Executive Director*

*Appointed 28 October 2021*

Mr Lewis started his career in technology leadership for companies including Mobil Oil Corporation, ICL and as Managing Partner for PA Consulting, Asia. Paul retired from the Board of the Magellan Financial Group in 2021 after 15 years where he served as Director from its inception and was also a member of British Telecom's Global Advisory Board from 2003 to 2009. Paul is currently Deputy National Chairman of the Australian British Chamber of Commerce, Chair of IPScope Limited, and a Chair of GWS Giants Foundation. Paul is a Fellow of the Australian Institute of Company Directors, and was awarded an MBE in June 2018 for services to bilateral trade.

**Other current directorships**

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

Paul Lewis retired from his role as a director of Magellan Financial Group in September 2021 (ASX: MFG).

**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 2022, 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	15	15	4	4	4	4
Ms Julie King	15	15	4	4	4	4
Ms Joanne Bryant	15	15	4	4	4	4
Mr Paul Wright	15	15	4	4	4	4
Mr Paul Lewis	11	11	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)	3,910,633	1,000,000	5,500,000
Ms Julie King (ii)	20,439,811	2,500,000	-
Ms Joanne Bryant (iii)	1,765,051	250,000	-
Mr Paul Wright (iv)	1,351,782	250,000	-
Mr Paul Lewis (v)	9,916,666	2,000,000	-

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

(i) Mr Gavin Coote has a relevant interest in 3,910,633 fully paid ordinary shares, which are held as follows:

- a. 3,439,135 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 are held by a custodian as registered owner on behalf of the Coote Family Super Fund.

In addition, Gavin Coote has a relevant interest in 1,000,000 options and 5,500,000 performance rights.

(ii) Ms Julie King has a relevant interest in 20,439,811 fully paid ordinary shares, held by John W King Nominees Pty Ltd.

In addition, Julie King has a relevant interest in 2,500,000 options.

(iii) Ms Joanne Bryant has a relevant interest in 1,765,051 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. 758,001 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 250,000 options.

(iv) Mr Paul Wright has a relevant interest in 1,351,782 fully paid ordinary shares, which are held as follows:

- a. 1,201,782 fully paid ordinary shares are held by a custodian as registered owner on behalf of PKW Super Fund.
- b. 150,000 fully paid ordinary shares are held by Chatsworth Trust.

In addition, Paul Wright has a relevant interest in 250,000 options.

(v) Mr Paul Lewis has a relevant interest in 9,916,666 fully paid ordinary shares, which are held as follows:

- a. 4,958,333 fully paid ordinary shares are held by a custodian as registered owner on behalf of PAJ Lewis Super Fund.
- b. 4,958,333 fully paid ordinary shares are held by a custodian as registered owner on behalf of PAJ Lewis Trust.

In addition, Paul Lewis has a relevant interest in 2,000,000 options.

### **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, market development of disruptive cardiovascular product technologies and venture investment in high potential early-stage medtech clients.

The consolidated entity operates three wholly owned subsidiary entities:

Hydrix Hydrix Services transforms client ideas into market leading 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 including the AngelMed Guardian and Phyzhon's PHYRARI FFR-WIRE product. These products are pre commercial revenue and being distributed by Hydrix under exclusive distribution agreements. The Guardian jurisdictions include Australia, New Zealand, five S. E. Asia countries and Japan. The Phyzhon product jurisdictions are Australia and New Zealand.

- 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 asymptomatic heart attacks.
- Phyzhon's PHYRARI FFR-WIRE product is primarily for use by interventional cardiologists during percutaneous coronary intervention procedures to manage blocked coronary arteries, including patients who have suffered a heart attack.

Hydrix Ventures selectively invests in high potential Hydrix Services medtech clients to generate equity capital gains. Current portfolio companies include Gyder Surgical Pty Ltd (orthopaedic surgical tool for hip replacements), Angel Medical Systems Inc (implantable heart attack alert device), Memphasys Limited (Bio-separation device), and Cyban Pty Ltd (non-invasive brain trauma injury monitoring device). For each of these clients, Hydrix Services provides arms-length design and engineering services.

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 primary revenue of the consolidated entity is derived from Hydrix Services. Excluding government grants, Hydrix Services achieved 40% year-on-year revenue growth from external customers for the year. This growth is primarily attributable to existing clients recommencing projects, winning new client projects, and increased sales, marketing and business development efforts. A significant and increasing amount of revenue was derived from outside Australia, including European medical device and cardiovascular technology clients. Revenue growth from outside Australia is expected to continue with increased marketing and business development located in Europe and the USA.

Hydrix Services successfully commenced a short-run production and distribution of its proprietary Mechanical Circulatory Support (MCS) platform, LUDO. This technology has been very well received by the Cardiac Assist Device community and provides a differentiated proposition to help them accelerate and de-risk their product development. Hydrix Services know-how and platform technologies such as LUDO are expected to play a key role in winning and running large projects developing disruptive Class III safety critical technologies for medical devices.

Hydrix Medical continued to invest in the market development of its two disruptive cardiac medical device technologies that are under exclusive distribution arrangements. Future product revenues selling cardiac technologies is anticipated to be a major growth catalyst for the consolidated entity.

Hydrix Medical made full regulatory submissions in Australia (July 2021), New Zealand (August 2021), Singapore (August 2021), Malaysia (December 2021), and Thailand (October 2021) for the AngelMed Guardian and received approvals from the Medicines and Medical Devices Safety Authority (MMDSA) for New Zealand and from the Medical Device Authority, Ministry of Health Malaysia. In New Zealand, The Guardian was successfully listed on the Web Assisted Notification of Devices (WAND) Database allowing commercial sales of the device to commence. Discussions recently commenced with parties to explore potential sub-distribution in Malaysia as part of developing the consolidated entity's go to market strategy.

As part of the market development strategy, and while Hydrix Medical waits The Therapeutic Goods Administration (TGA) approval in Australia, we successfully progressed approvals with a Melbourne-based private hospital for one of Australia's largest cardiology groups to commence implants of The Guardian under early access schemes. The cardiology group has commenced screening for suitable patients.

### **Review of operations (continued)**

Hydrix Ventures made further early-stage investments during the year, which included increasing its holdings in both Cyban Pty Ltd and Gyder Surgical Pty Ltd, and securing 3,000,000 unlisted options in listed client, Memphasys Limited (ASX: MEM). Investing in high potential early stage medtech clients provides an avenue for Hydrix to capture more of the value it helps create for clients and promotes positive alignment towards successful commercialisation of products under development.

Hydrix Ventures recognised a \$0.4 million valuation uplift in its Cyban Pty Ltd investment after a successful Series A capital raise was completed during the year. Hydrix Venture investment companies are progressing towards significant valuation inflection milestones as they complete product development, clinical studies, and commence product sales.

### **Review of financials**

For the year ended 30 June 2022, Hydrix Services made sales to external customers of \$10,321,877, increasing by 40% over the prior year period (2021: \$7,373,601). Consolidated entity revenues for the year were \$10,458,118.

The operating loss before income tax for the consolidated entity decreased by 43% year-on-year to \$5,546,389 (2021: \$9,778,693). The factors primarily attributable to the improved operating result include:

- improved financial performance of the Services business offset by increased operating costs to commercialise and scale the Medical products business;
- significant reduction in finance costs (down \$0.65 million) on debt facilities; and
- movements in non-cash costs including prior year goodwill impairment charges (\$1.27 million), gains on financial instruments (\$1.1 million), and reduction in depreciation and amortisation charges (\$1.3 million).

Cash used in operating activities to support the growth and expansion of the consolidated entity was \$6,124,447 (2021: \$1,933,245). Primary factors attributable for the year-on-year increased use of cash reported in the accounts include:

- increased working capital of \$1.83 million in support of the 39% growth in client revenues;
- decreased COVID-Government grants of \$1.72 million (reported as Other income);
- increased spend of \$0.75 million on employee costs to support client revenue growth; and
- increased spend of \$0.52 million on regulatory and other strategic corporate initiatives to accelerate and scale-up the medical business.

In February 2022, the consolidated entity raised \$2,828,000 through a Placement to sophisticated investors issuing 28,280,000 shares of new common stock priced at \$0.10c per share, each issued with 1 attaching Option or 28,280,000 Options. All Options have an exercise price of \$0.18 and an expiration date of 31 March 2024. There were a further 1,000,000 Options granted to the Joint Lead Managers to the Placement with an exercise price of \$0.30 and an expiration date of 7 March 2025.

The consolidated entity's cash position was \$1,940,411 at 30 June 2022, compared to \$6,647,225 at 30 June 2021. The main uses of cash were to support the principal activities of the business, and strategic growth initiatives as outlined above. For the second half of the financial year, the consolidated entity reported net cash used in operating activities for the June quarter Appendix 4C of \$1.2 million down from the March 2022 quarter of \$2.0 million.

### **Outlook**

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

- underlying positive revenue trend growth of the Services business, a strong order book and sales pipeline, improving operating margins and increasing billable resource utilisation with a target for financial year 2023 profitability;
- future product revenue and gross profit margins from Hydrix Medical distribution of cardiovascular products anticipated to commence during financial year 2023; and
- potential for future Venture capital gains on investments in high potential medtech clients.

### **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 14 July 2022, the consolidated entity established a wholly owned subsidiary in the USA, Hydrix DE LLC, to employ a US based business development resource as part of expanding global revenues.

On 8 August 2022, the consolidated entity announced a Loyalty Options Offer to its securityholders as follows:

- Eligible Shareholders will be offered Loyalty Options at a ratio of one (1) for every eight (8) Shares held as at the relevant record date.
- Eligible HYDO holders will be offered Loyalty Options at a ratio of one (1) for every one (1) HYDO Option held prior to their expiry on 31 July 2022.
- Loyalty Options will have an issue price of \$0.005 per Loyalty Option, an exercise price of \$0.12, and an expiry date of 31 December 2023.
- The consolidated entity intends to seek shareholder approval under ASX Listing Rules 7.1 and 10.11, as may be necessary for the consolidated entity to issue the Piggyback Options and the Loyalty Options.

On 15 August 2022, the consolidated entity announced the approval from the Health Sciences Authority of Singapore (HSA) to market and distribute The Guardian cardiac monitor in Singapore.

On 23 August 2022, the interest rate on the \$1,000,000 unsecured shareholder loan facility was increased from 6% to 8% p.a. effective from 1 September 2022, and the repayment terms were renegotiated, as follows:

- \$250,000 is repayable on 31 January 2023;
- \$150,000 is repayable on 31 July 2023;
- \$150,000 is repayable on 31 August 2023;
- \$150,000 is repayable on 30 September 2023;
- \$150,000 is repayable on 31 October 2023; and
- \$150,000 is repayable on 30 November 2023;

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity's principal activities for the next financial year ending 30 June 2023 will continue to be medtech product design, engineering and regulatory services, distribution of cardiovascular technologies and early stage medtech venture investing.

The consolidated entity's strategy is to become a profitable, global, diversified medtech company. 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.

## **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

##### **Mr Paul Lewis MBE**

Non-Executive Director - Appointed 28 October 2021

### **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 has been 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 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 \$350,000 per annum (inclusive of superannuation). Mr Coote's remuneration for his executive services is in addition to the fee of \$83,000 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 \$58,000 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 \$58,000 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).

## Mr Paul Lewis - 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 Lewis 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 no external consultants were engaged to review the remuneration and provide recommendations relating to KMP.

## Remuneration details for the year ended 30 June 2022

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 2022

	Table of benefits and payments for the year ended 30 June 2022						Total
	<u>Short-term benefits</u>		<u>Post-employment benefits</u>	<u>Long-term benefits</u>	<u>Share-based payments</u>		
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled rights	
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
Mr Gavin Coote <sup>1</sup>	414,902	-	32,568	5,772	-	204,270	657,512
Ms Julie King	-	52,727	5,273	-	-	-	58,000
Ms Joanne Bryant	-	43,636	4,364	-	-	-	48,000
Mr Paul Wright	52,727	-	5,273	-	-	-	58,000
Mr Paul Lewis <sup>2</sup>	-	29,091	2,909	-	-	-	32,000
<b>Total</b>	467,630	125,455	50,386	5,772	-	204,270	853,512

<sup>1</sup> Short-term salary benefits payable to Mr Coote include \$83,000 for work performed in his role as director.

<sup>2</sup> Mr Paul Lewis was appointed to the board on 28 October 2021.

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

	Table of benefits and payments for the year ended 30 June 2021						Total
	<u>Short-term benefits</u>		<u>Post-employment</u>	<u>Long-term</u>	<u>Share-based payments</u>		
			<u>benefits</u>	<u>benefits</u>			
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled rights	
<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%.

# 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	
	2022	2021	2022	2021	2022	2021
<i>Directors</i>						
Mr Gavin Coote	69%	74%	-	-	31%	26%
Ms Julie King	100%	100%	-	-	-	-
Ms Joanne Bryant	100%	100%	-	-	-	-
Mr Paul Wright	100%	61%	-	-	-	39%
Mr Paul Lewis <sup>1</sup>	100%	-	-	-	-	-

<sup>1</sup> Mr Paul Lewis was appointed to the board on 28 October 2021.

## 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 2022 are set out below:

Name	Date	Shares	Weighted Average Issue Price	\$
Mr Gavin Coote	26-Nov-21	468,750	\$0.266	\$124,531
Mr Paul Wright	30-Nov-21	150,000	\$0.275	\$41,250

The 468,750 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 and 17-Dec-20, vested on 30-Jun-21 and were exercised on 26-Nov-21.

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-21 and were exercised on 30-Nov-21.

### 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 and future reporting years are as follows:

Name	Number of performance rights granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per right at grant date
Mr Gavin Coote	250,000	17-Dec-20	30-Jun-22	30-Jun-23	\$0.00	\$0.255
Mr Gavin Coote	250,000	24-Nov-21	30-Jun-22	30-Jun-26	\$0.00	\$0.130
Mr Gavin Coote	250,000	24-Nov-21	30-Jun-23	30-Jun-27	\$0.00	\$0.130
Mr Gavin Coote	500,000	24-Nov-21	30-Jun-23	30-Jun-27	\$0.00	\$0.066
Mr Gavin Coote	750,000	24-Nov-21	30-Jun-24	30-Jun-28	\$0.00	\$0.074
Mr Gavin Coote	750,000	24-Nov-21	30-Jun-24	30-Jun-28	\$0.00	\$0.063
Mr Gavin Coote	2,750,000	24-Nov-21	30-Jun-24	30-Jun-28	\$0.00	\$0.130

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

Performance rights granted carry no dividend or voting rights.

# REMUNERATION REPORT (Audited) (Continued)

## Additional information

The earnings of the consolidated entity for the five years ended 30 June 2022 are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Revenue	10,468,453	9,311,738	15,899,742	14,165,305	5,715,182
(Loss) before tax	(5,546,389)	(9,778,693)	(2,872,734)	(3,994,173)	(5,539,445)
(Loss) after tax	(5,546,389)	(9,778,693)	(3,219,461)	(4,219,742)	(5,080,967)

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

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	\$0.07	\$0.19	\$0.09	\$0.22	\$0.47
Total dividends declared (cents per share)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Basic loss per share (cents per share)	(3.19)	(6.84)	(4.35)	(6.54)	(9.40)
Diluted loss per share (cents per share)	(3.19)	(6.84)	(4.35)	(6.54)	(9.40)

## 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 on the exercise of performance rights	Additions	Disposals / Other	Balance at the end of the year
Mr Gavin Coote	2,441,883	468,750	1,000,000	-	3,910,633
Ms Julie King	17,639,345	-	2,800,466	-	20,439,811
Ms Joanne Bryant	1,515,051	-	250,000	-	1,765,051
Mr Paul Wright	951,782	150,000	250,000	-	1,351,782
Mr Paul Lewis	7,916,666	-	2,000,000	-	9,916,666
	<b>30,464,727</b>	<b>618,750</b>	<b>6,300,466</b>	<b>-</b>	<b>37,383,943</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	750,000	5,250,000	468,750	31,250	5,500,000
Ms Julie King	-	-	-	-	-
Ms Joanne Bryant	-	-	-	-	-
Mr Paul Wright	150,000	-	150,000	-	-
Mr Paul Lewis	-	-	-	-	-
	<b>900,000</b>	<b>5,250,000</b>	<b>618,750</b>	<b>31,250</b>	<b>5,500,000</b>

The performance rights vest subject to satisfaction of prescribed vesting conditions including market conditions, and 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 31,630,078 options and 5,500,000 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 2022	Balance at Date of this Report
Employee LTIP	(i)	\$0.290	9-Mar-20	30-Jun-25	9-Mar-20	\$0.082	116,668	116,668
Employee LTIP	(i)	\$0.290	1-Jul-20	30-Jun-25	9-Mar-20	\$0.082	116,648	116,648
Employee LTIP	(i)	\$0.290	1-Jul-21	30-Jun-25	9-Mar-20	\$0.082	116,650	116,650
Employee LTIP	(i)	\$0.290	1-Jul-22	30-Jun-25	9-Mar-20	\$0.082	116,660	116,660
Attaching options	(ii)	\$0.120	30-Jul-20	31-Jul-22	30-Jul-20	\$0.033	5,394,141	-
Underwriter options	(iii)	\$0.120	31-Jul-20	31-Jul-22	31-Jul-20	\$0.029	8,847,325	-
Employee LTIP	(iv)	\$0.075	8-Sep-20	30-Jun-25	8-Sep-20	\$0.272	126,543	126,543
Employee LTIP	(iv)	\$0.075	1-Jul-21	30-Jun-25	8-Sep-20	\$0.272	126,535	126,535
Employee LTIP	(iv)	\$0.075	1-Jul-22	30-Jun-25	8-Sep-20	\$0.272	120,285	120,285
Employee LTIP	(iv)	\$0.075	1-Jul-23	30-Jun-25	8-Sep-20	\$0.272	120,289	120,289
Attaching options	(v)	\$0.120	18-Sep-20	31-Jul-22	18-Sep-20	\$0.204	4,666,666	-
Employee LTIP	(vi)	\$0.075	2-Oct-20	30-Jun-25	2-Oct-20	\$0.262	115,939	115,939
Employee LTIP	(vi)	\$0.075	1-Jul-21	30-Jun-25	2-Oct-20	\$0.262	115,936	115,936
Employee LTIP	(vi)	\$0.075	1-Jul-22	30-Jun-25	2-Oct-20	\$0.262	129,998	129,998
Employee LTIP	(vi)	\$0.075	1-Jul-23	30-Jun-25	2-Oct-20	\$0.262	130,002	130,002
Performance rights	(vii)	\$0.000	30-Jun-22	30-Jun-23	17-Dec-20	\$0.255	250,000	250,000
Performance rights	(viii)	\$0.000	30-Jun-22	30-Jun-26	24-Nov-21	\$0.130	250,000	250,000
Performance rights	(viii)	\$0.000	30-Jun-23	30-Jun-27	24-Nov-21	\$0.130	250,000	250,000
Performance rights	(viii)	\$0.000	30-Jun-23	30-Jun-27	24-Nov-21	\$0.066	500,000	500,000
Performance rights	(viii)	\$0.000	30-Jun-24	30-Jun-28	24-Nov-21	\$0.074	750,000	750,000
Performance rights	(viii)	\$0.000	30-Jun-24	30-Jun-28	24-Nov-21	\$0.063	750,000	750,000
Performance rights	(viii)	\$0.000	30-Jun-24	30-Jun-28	24-Nov-21	\$0.130	2,750,000	2,750,000
Employee LTIP	(ix)	\$0.100	17-Jan-22	30-Jun-26	17-Jan-22	\$0.101	224,485	224,485
Employee LTIP	(ix)	\$0.100	1-Jul-22	30-Jun-26	17-Jan-22	\$0.101	224,485	224,485
Employee LTIP	(ix)	\$0.100	1-Jul-23	30-Jun-26	17-Jan-22	\$0.101	224,485	224,485
Employee LTIP	(ix)	\$0.100	1-Jul-24	30-Jun-26	17-Jan-22	\$0.101	224,470	224,470
Lead Manager	(x)	\$0.300	7-Mar-22	7-Mar-25	7-Mar-22	\$0.052	1,000,000	1,000,000
Attaching options	(xi)	\$0.180	14-Apr-22	31-Mar-24	14-Apr-22	\$0.052	28,280,000	28,280,000

(i) On 9 March 2020, 785,127 options were issued to employees under the LTIP, and subsequently 170,433 were forfeited due to failure to meet vesting conditions and 148,068 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.

(ii) 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 3,460,610 were exercised and 5,386,921 expired unexercised.

(iii) 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 and 8,847,325 expired unexercised.

(iv) On 8 September 2020, 878,038 options were issued to employees under the LTIP, and subsequently 7,813 were exercised, 256,891 were forfeited due to failure to meet vesting conditions and 119,682 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.

(v) On 18 September 2020, 4,666,666 Attaching Options were issued under the Placement Offer as announced by the consolidated entity on 6 July 2020, and subsequently 4,666,666 expired unexercised.

(vi) On 2 October 2020, 582,500 options were issued to employees under the LTIP, and subsequently 65,625 were exercised and 25,000 were forfeited due to failure to meet vesting conditions. 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.

(vii) On 17 December 2020, 500,000 Performance Rights were issued to Directors under the LTIP, and subsequently 218,750 were exercised and 31,250 failed to meet vesting conditions.

(viii) On 24 November 2021, 5,250,000 Performance Rights were issued to Directors under the LTIP.

(ix) On 17 January 2022, 934,825 options were issued to employees under the LTIP, and subsequently 27,675 were forfeited due to failure to meet vesting conditions and 9,225 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.

(x) On 7 March 2022, 1,000,000 options were issued to the Joint Lead Managers of the Placement Offer as announced by the consolidated entity on 28 February 2022.

(xi) On 14 April 2022, 28,280,000 Attaching Options were issued under the Placement Offer as announced by the consolidated entity on 28 February 2022.

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**

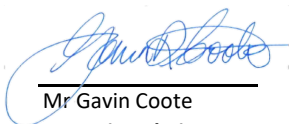
The company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**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**  
30-August-2022  
Melbourne

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**Grant Thornton Audit Pty Ltd**

Level 22 Tower 5  
Collins Square  
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Melbourne VIC 3001  
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## 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 2022, 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

Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 30 August 2022



**Hydrix Limited**  
**Consolidated Statement of Profit & Loss and Other Comprehensive Income**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
<b>Revenue</b>			
Revenue	<b>4</b>	10,458,118	9,296,410
Interest income		10,335	15,328
		<b>10,468,453</b>	<b>9,311,738</b>
<b>Operating expenses</b>			
Employee benefits expense	<b>5</b>	(10,409,152)	(9,654,553)
Project material expenses		(1,740,687)	(1,766,079)
Cost of sales		(7,457)	(38,896)
Depreciation and amortisation expense	<b>5</b>	(1,142,352)	(2,446,900)
Finance costs	<b>5</b>	(463,906)	(1,110,082)
Rental expense		43,071	46,378
Selling, advertising and distribution expenses		(247,257)	(208,041)
Other expenses	<b>5</b>	(2,526,716)	(1,970,840)
Share based payment expenses	<b>31</b>	(316,310)	(426,771)
Impairment of goodwill		-	(1,269,400)
(Impairment)/Write-back of receivables	<b>8</b>	55,874	94,602
Gain/(Loss) on financial instruments at fair value through profit or loss	<b>5</b>	1,018,303	(69,825)
Gain/(Loss) on contingent consideration liability		(166,787)	(190,486)
Unrealised foreign exchange Gain/(Loss)		(111,466)	(79,537)
		<b>(16,014,842)</b>	<b>(19,090,431)</b>
<b>Loss before income tax expense</b>		<b>(5,546,389)</b>	<b>(9,778,693)</b>
Income tax (expense)/ benefit	<b>6</b>	-	-
<b>Loss after income tax expense</b>		<b>(5,546,389)</b>	<b>(9,778,693)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement in functional currency of foreign operations	<b>21</b>	(4,344)	(1,909)
<b>Total comprehensive loss for year attributable to the Owners of Hydrix Limited</b>		<b>(5,550,733)</b>	<b>(9,780,602)</b>
<b>Loss per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share (cents per share)	<b>30</b>	(3.19)	(6.84)

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 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>7</b>	1,940,411	6,647,225
Trade and other receivables	<b>8</b>	2,014,785	574,504
Contract assets	<b>13</b>	851,801	1,090,544
Prepayments		239,076	178,482
Inventory		11,635	11,281
<b>Total current assets</b>		<b>5,057,708</b>	<b>8,502,036</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit & loss	<b>11</b>	3,839,463	2,847,102
Plant and equipment	<b>9</b>	370,314	454,604
Right of use assets	<b>19</b>	1,615,103	2,076,561
Intangible assets	<b>10</b>	4,559,719	4,985,965
Other assets		72,227	87,602
Security deposits		424,980	424,980
<b>Total non-current assets</b>		<b>10,881,806</b>	<b>10,876,814</b>
<b>Total assets</b>		<b>15,939,514</b>	<b>19,378,850</b>
<b>Current liabilities</b>			
Trade and other payables	<b>12</b>	1,424,463	1,529,393
Contract liabilities	<b>13</b>	1,513,453	1,601,717
Borrowings	<b>17</b>	1,043,768	1,000,000
Derivative liabilities	<b>18</b>	108,595	770,910
Employee benefits	<b>15</b>	974,999	902,302
Lease liabilities	<b>19</b>	747,796	637,184
Other liabilities	<b>14</b>	2,903,179	2,499,687
<b>Total current liabilities</b>		<b>8,716,253</b>	<b>8,941,193</b>
<b>Non-current liabilities</b>			
Borrowings	<b>17</b>	1,250,000	1,250,000
Employee benefits	<b>15</b>	160,668	201,863
Lease liabilities	<b>19</b>	2,362,381	3,086,770
Provisions	<b>16</b>	173,760	189,371
<b>Total non-current liabilities</b>		<b>3,946,809</b>	<b>4,728,004</b>
<b>Total liabilities</b>		<b>12,663,062</b>	<b>13,669,197</b>
<b>Net assets</b>		<b>3,276,452</b>	<b>5,709,653</b>
<b>Equity</b>			
Issued capital	<b>20</b>	98,822,417	95,402,178
Reserves	<b>21</b>	1,430,847	1,772,905
Accumulated losses	<b>22</b>	(96,976,812)	(91,465,430)
<b>Total equity</b>		<b>3,276,452</b>	<b>5,709,653</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 2022**

<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>
<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2021</b>	95,402,178	1,772,905	(91,465,430)	5,709,653
Loss after income tax expense for the year	-	-	(5,546,389)	(5,546,389)
Other comprehensive income, net of tax	-	(4,344)	-	(4,344)
Total comprehensive income for the year	-	(4,344)	(5,546,389)	(5,550,733)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	368,312	-	368,312
Exercised options / performance rights	178,949	(176,019)	-	2,930
Expired options	-	(35,007)	35,007	-
Contributions of equity, net of transaction costs	2,746,290	-	-	2,746,290
Contingent equity consideration	495,000	(495,000)	-	-
<b>Balance at 30 June 2022</b>	<b>98,822,417</b>	<b>1,430,847</b>	<b>(96,976,812)</b>	<b>3,276,452</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 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
<b>Cash Flows from operating activities</b>			
Receipts from customers (including GST)		9,774,745	9,883,931
Payments to suppliers and employees (including GST)		(16,004,696)	(13,650,460)
Receipt of government grants		-	1,716,151
Income tax receipt (R&D tax incentive)		105,504	117,133
Net cash used in operating activities	<b>23</b>	<b>(6,124,447)</b>	<b>(1,933,245)</b>
<b>Cash Flows from investing activities</b>			
Payments for plant and equipment	<b>9</b>	(69,835)	(239,839)
Payments for intangible assets	<b>10</b>	(100,523)	(251,684)
Payments for investments		(150,150)	(150,040)
Proceeds from sale of plant and equipment		13,857	-
Net cash used in investing activities		<b>(306,651)</b>	<b>(641,563)</b>
<b>Cash Flows from financing activities</b>			
Proceeds from issue of shares		2,876,856	13,718,757
Share issue transaction costs paid		(225,634)	(986,726)
Proceeds from borrowings		219,088	-
Repayments of borrowings		(175,320)	(4,026,664)
Interest received		6,564	15,328
Interest and other finance costs paid		(463,906)	(943,605)
Repayments of lease liabilities		(513,375)	(245,226)
Net cash flow from financing activities		<b>1,724,273</b>	<b>7,531,864</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,706,825)</b>	<b>4,957,056</b>
Cash and cash equivalents at start of year		6,647,225	1,690,194
Effects of exchange rate changes on cash and cash equivalents		11	(25)
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>1,940,411</b>	<b>6,647,225</b>

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

## **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 30 August 2022.

### **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 2022, the consolidated entity incurred a net loss before tax of \$5,546,389, reported cash used in operations of \$6,124,447 and had a net current assets deficit (current assets less current liabilities) of \$3,658,545.

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 \$1,940,411 at 30 June 2022;
- There are 28,280,000 Hydrix Listed Stock Options (HYDOA) at 18c that expire 31 March 2024. If option holders exercise these options, cash inflows equate to \$5,090,400;
- On 8 August 2022, the consolidated entity announced a shareholder loyalty option program including 12c options expiring on 31 December 2023. If option holders exercise these 12c options on or before 30 April 2023, for each option exercised, the option holder will be granted a 28c piggyback option expiring 30 April 2025. Cash from the exercise of the 12c options equates to \$5.2 million and the 28c piggyback options \$6.1 million (if exercised, based on the consolidated entity's current issued share capital of 197,643,280 shares);
- Subsequent to the end of the financial year, the consolidated entity renegotiated the repayment terms of its \$1,000,000 unsecured shareholder loan facility, as follows:
  - \$250,000 is repayable on 31 January 2023;
  - \$150,000 is repayable on 31 July 2023;
  - \$150,000 is repayable on 31 August 2023;
  - \$150,000 is repayable on 30 September 2023;
  - \$150,000 is repayable on 31 October 2023; and
  - \$150,000 is repayable on 30 November 2023;
- The budgeted cash flow forecast for the 12-month period from the date of signing of the financial statements supports the directors' assertion the consolidated entity is a going concern. Budgets have 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 could 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; and
- The directors believe the consolidated entity would be able to raise additional capital if required to support strategic growth initiatives and working capital.

**a) Basis of Preparation (continued)**

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 2022 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) 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.

**i) 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.

**j) 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.

**k) 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 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

The consolidated entity applied AASB 2021-3 for the first time from 1 July 2021. AASB 2021-3 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.

**l) 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 2022.

**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 throughout the financial report.

**(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. The fair value of non-cash consideration may vary because of the form of the consideration (for example, a change in the price of a share to which the consolidated entity is entitled to receive from a customer). If the fair value of the non-cash consideration promised by a customer varies for reasons other than only the form of the consideration (for example, the fair value could vary because of the consolidated entity's performance) the consolidated entity includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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 without market conditions by 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. The fair value of options with market conditions are assessed by an independent third party using an appropriate valuation model.

**(iii) 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).



### 3 Operating Segments

#### Identification of reportable operating segments

The consolidated entity is organised into two 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 three geographical locations, being Australia, Singapore and New Zealand.

#### Operating Segment Information

	Note	Hydrix Services \$	Hydrix Medical \$	Total Operations \$
<b>Consolidated - 2022</b>				
<b>Revenue</b>				
Sales to external customers		10,321,877	3,141	10,325,018
Other revenue		119,243	-	119,243
Total Segment revenue		10,441,120	3,141	10,444,261
<i>Unallocated revenue:</i>				
Other revenue		-	-	13,857
Interest income		-	-	10,335
<b>Total Segment Revenue</b>		<b>10,441,120</b>	<b>3,141</b>	<b>10,468,453</b>
<b>EBITDA</b>		<b>(1,101,275)</b>	<b>(1,424,329)</b>	<b>(2,525,604)</b>
<i>Unallocated EBITDA</i>				
<b>Total EBITDA</b>				<b>(4,419,744)</b>
Finance costs		(328,906)	-	(328,906)
Depreciation and amortisation		(692,336)	(449,645)	(1,141,981)
(Impairment)/Write-back of receivables		55,874	-	55,874
Loss on contingent consideration liability		-	(166,787)	(166,787)
Unrealised foreign exchange Loss		3,791	(236,705)	(232,914)
<i>Unallocated expenses:</i>				
Finance costs		-	-	(135,000)
Depreciation and amortisation		-	-	(372)
Share based payment expenses		-	-	(316,310)
Gain on financial instruments at FVTPL		-	-	1,018,303
Unrealised foreign exchange Gain		-	-	121,448
<b>Profit/(Loss) before income tax expense</b>		<b>(2,062,852)</b>	<b>(2,277,466)</b>	<b>(5,546,389)</b>
Income tax (expense)/ benefit		-	-	-
<b>(Loss) after income tax expense</b>		<b>(2,062,852)</b>	<b>(2,277,466)</b>	<b>(5,546,389)</b>
<b>Assets</b>				
Segment assets		5,464,612	4,125,064	9,589,676
<i>Unallocated assets:</i>				
Cash and cash equivalents		-	-	1,940,411
Intangible assets		-	-	525,000
Hydrix Ventures investment portfolio	11	-	-	3,839,463
Other assets		-	-	44,964
<b>Total assets</b>		<b>5,464,612</b>	<b>4,125,064</b>	<b>15,939,514</b>
<b>Liabilities</b>				
Segment liabilities		6,921,821	3,065,095	9,986,916
<i>Unallocated liabilities:</i>				
Borrowings		-	-	2,250,000
Other liabilities		-	-	426,146
<b>Total liabilities</b>		<b>6,921,821</b>	<b>3,065,095</b>	<b>12,663,062</b>

**Hydrix Limited**  
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**3 Operating Segments (continued)**

	<b>Note</b>	<b>Hydrix Services \$</b>	<b>Hydrix Medical \$</b>	<b>Total Operations \$</b>
<b>Consolidated - 2021</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>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>9,311,738</b>
<b>EBITDA</b>				
		(1,682,068)	(799,416)	(2,481,484)
<i>Unallocated EBITDA</i>				
				(1,625,800)
<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)/Write-back of receivables		94,602	-	94,602
Loss on contingent consideration liability		-	(190,486)	(190,486)
Unrealised foreign exchange Gain		-	215,281	215,281
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)
Loss on financial instruments at FVTPL		-	-	(69,825)
Unrealised foreign exchange Loss		-	-	(294,818)
<b>Profit/(Loss) before income tax expense</b>		<b>(5,849,242)</b>	<b>(792,348)</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>(9,778,693)</b>
<b>Assets</b>				
Segment assets		4,760,794	4,541,305	9,302,099
<i>Unallocated assets:</i>				
Cash and cash equivalents		-	-	6,647,225
Intangible assets		-	-	525,000
Hydrix Ventures investment portfolio	<b>11</b>	-	-	2,847,102
Other assets		-	-	57,424
<b>Total assets</b>		<b>4,760,794</b>	<b>4,541,305</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>13,669,197</b>

Unallocated EBITDA and expenses includes the provision of central costs not allocated to an operating segment such as Board, Executive Chairman, Company Secretary, Group Human Resources Director, Group Financial Controller, strategy and investor relations.

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4 Revenue

	2022	2021
	\$	\$
<b>Revenue from contracts with customers</b>		
Project revenue – services	9,161,494	6,401,693
Project revenue – materials	1,160,383	971,908
<b>Project revenues</b>	<b>10,321,877</b>	<b>7,373,601</b>
Sales of AngelMed Guardian System & Consumables	3,141	71,620
<b>Total revenue from contracts with customers</b>	<b>10,325,018</b>	<b>7,445,221</b>
<b>Other income:</b>		
Research and development tax incentive	105,504	117,133
Government grant	-	1,716,151
Profit on disposal of fixed assets	13,857	-
Other income	13,739	17,905
	<b>133,100</b>	<b>1,851,189</b>
<b>Total income from continuing operations</b>	<b>10,458,118</b>	<b>9,296,410</b>
<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	3,141	71,620
Services transferred over time	10,321,877	7,373,601
	<b>10,325,018</b>	<b>7,445,221</b>
<b>Geographical Regions</b>		
Australia	4,847,387	5,484,006
Europe	4,498,823	719,718
North America	664,012	922,840
Singapore	3,141	71,620
Other	311,655	247,037
	<b>10,325,018</b>	<b>7,445,221</b>

The consolidated entity attributes project revenues from external customers to geographical regions based on the domicile of the parent entity, or in the case of AngelMed Guardian sales, where the goods are transferred.

**Major customers disclosure**

The nature of the Hydrix Services business is that it enters into a mix of short-term and long-term contracts with key customers. One customer contributed more than 10% of the consolidated entity's total revenue.

#### 4 Revenue (continued)

##### **Accounting Policy - Revenue recognition**

###### 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.

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) Project revenue

The consolidated entity provides a comprehensive range of engineering and regulatory services, including software, electronics, mechanical, industrial design, and general product development services. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation.

For project contracts under a fixed fee basis, to depict the progress by which the consolidated entity transfers control of the services to the customer, and to establish when and to what extent revenue can be recognised, the consolidated entity measures its progress towards complete satisfaction of the performance obligation by comparing actual input costs (labour hours and materials) spent to date with the total estimated costs required to complete the project. The percentage completion basis provides the most accurate depiction of the transfer of goods and services to each customer due to the consolidated entity's ability to make reliable estimates of the total number of costs required to complete the project. At the end of each reporting period, progress towards complete satisfaction of the performance obligation is remeasured.

For project contracts under a time and materials basis, project revenue is recognised based on the actual input labour and materials incurred over time as this is when the consolidated entity transfers control of the services to the customer, and therefore represents when the performance obligation is fulfilled.

Customers are invoiced monthly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as Contract assets as only the passage of time is required before payment of these amounts will be due. When payments received from customers exceed revenue recognised to date on a particular contract, any excess is reported in the statement of financial position as Contract liabilities.

###### (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.

5 Expenses

(Loss) before income tax includes the following specific expenses:

	2022 \$	2021 \$
<b>Employee benefits expenses</b>		
Salaries, wages and leave entitlements	8,966,525	8,503,199
Defined contribution superannuation expense	878,694	707,968
Employee on-costs	489,033	412,042
Employee training and development	74,900	31,344
<b>Total employee benefits expenses</b>	<b>10,409,152</b>	<b>9,654,553</b>
<b>Depreciation</b>		
Plant and equipment	11,736	13,857
Computer equipment	86,636	62,258
Leasehold improvements	55,753	37,151
Right-of-use Asset	461,458	461,458
	<b>615,583</b>	<b>574,724</b>
<b>Amortisation</b>		
Software - including CHEF Framework	102,062	1,512,212
Customer contracts	-	359,964
Distribution rights	424,707	-
	<b>526,769</b>	<b>1,872,176</b>
<b>Total depreciation and amortisation expense</b>	<b>1,142,352</b>	<b>2,446,900</b>
<b>Finance costs</b>		
Interest expense on lease liabilities	323,296	389,641
Pure Asset Management facility fees	-	411,487
Interest on loans and borrowing costs	140,610	308,954
<b>Total finance costs</b>	<b>463,906</b>	<b>1,110,082</b>
<b>Gain/(Loss) on financial instruments at fair value through profit or loss</b>		
Gain/(Loss) on derivatives	662,315	(320,128)
Gain/(Loss) on financial assets	355,988	250,303
	<b>1,018,303</b>	<b>(69,825)</b>
<b>Other expenses</b>		
Bad debts written off	-	4,415
Consultancy charges	253,442	391,336
Corporate advisory transaction costs	298,881	-
Directors' fees	279,000	197,783
Insurance	185,480	134,020
IT related expenses	385,917	336,496
Legal and professional charges	289,254	325,948
Listing fees and share register maintenance	80,326	104,775
Recruitment fees	40,359	26,134
Regulatory and reimbursement costs	288,430	75,771
Travelling costs	81,876	5,140
Administration expenses	343,751	369,022
<b>Total other expenses</b>	<b>2,526,716</b>	<b>1,970,840</b>

5 Expenses (continued)

**Accounting Policy - Expenses**

Amortisation

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.

Depreciation

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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Finance costs

All finance costs are expensed in the period in which they are incurred.

6 Income Taxes

	2022	2021
	\$	\$
<b>(a) Income tax benefit</b>		
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	5,546,389	9,778,693
Tax at the statutory tax rate of 25% (Previous year 26%)	1,386,597	2,542,460
Tax effect amounts which are not (deductible) / taxable in calculating taxable income:		
Temporary differences not brought to account	295,483	(211,136)
Share based payments	(79,078)	(110,960)
R&D tax incentive income - non assessable	26,376	30,455
Deferred Tax Asset (DTA) on tax losses not brought to account	(1,693,491)	(2,250,818)
Adjustment to deferred tax balances as a result of change in statutory tax rate	64,113	-
	-	-
<b>(b) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Allowance for expected credit losses	11,693	26,688
Provision for annual leave	168,483	180,191
Provision for long service leave	115,434	106,891
Provision for obsolete inventory	663	-
Contingent consideration	45,938	-
Derivative liability	27,149	200,437
Lease liability	777,544	968,229
Accruals	81,300	242,662
Lease make-good provision	43,440	49,236
	<b>1,271,644</b>	<b>1,774,334</b>
<b>(c) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Contingent consideration	-	57,132
Contract assets	212,950	283,541
Financial assets at fair value through profit & loss	121,271	59,375
Intangible assets	535,026	676,406
	<b>869,247</b>	<b>1,076,454</b>
<b>(d) Net deferred tax assets / (liabilities)</b>		
Net deferred tax assets / (liabilities) not recognised	402,397	697,880
	<b>402,397</b>	<b>697,880</b>

6 Income Taxes (continued)

	2022	2021
(e) <b>Deferred tax assets not brought to account at reporting date</b>		
Operating losses	8,345,085	7,566,481
Capital losses	71,248	74,097
	<b>8,416,333</b>	<b>7,640,578</b>

**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.

7 Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank	1,940,409	6,647,223
Cash on hand	2	2
	<b>1,940,411</b>	<b>6,647,225</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	1,940,411	6,647,225
Balance as per statement of cash flows	<b>1,940,411</b>	<b>6,647,225</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.

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**8 Trade and other receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	2,022,299	616,044
Less: Allowance for expected credit losses	(46,773)	(102,647)
	<u>1,975,526</u>	<u>513,397</u>
GST receivable	39,259	57,915
Other receivables	-	3,192
	<u><b>2,014,785</b></u>	<u><b>574,504</b></u>

*Allowance for expected credit losses*

The consolidated entity has recognised a reversal of \$55,874 in profit or loss in respect of the expected credit losses for the year ended 30 June 2022 (30 June 2021: reversal of \$94,602).

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

	<b>Expected credit</b>	<b>Gross carrying</b>	<b>Allowance for</b>	<b>Net carrying</b>
	<b>loss rate</b>	<b>amount</b>	<b>expected credit</b>	<b>amount</b>
	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>				
Not overdue	0.5%	1,783,880	8,414	1,775,466
0 to 3 months overdue	0.8%	193,191	1,533	191,658
3 to 6 months overdue	10.0%	-	-	-
Over 6 months overdue	81.4%	45,228	36,826	8,402
		<u><b>2,022,299</b></u>	<u><b>46,773</b></u>	<u><b>1,975,526</b></u>

**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.*



## 9 Plant and Equipment

	2022 \$	2021 \$
<i>Plant and equipment</i>		
At cost	184,445	168,225
Less accumulated depreciation	(92,938)	(81,202)
	91,507	87,023
<i>Computer equipment</i>		
At cost	329,240	288,151
Less accumulated depreciation	(273,411)	(186,775)
	55,829	101,376
<i>Leasehold improvements</i>		
At cost	413,505	400,979
Less accumulated depreciation	(190,527)	(134,774)
	222,978	266,205
	<b>370,314</b>	<b>454,604</b>

### Reconciliations

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

	Plant & Equipment \$	Computer Equipment \$	Leasehold Improvements \$	Total \$
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)
Balance as at 30 June 2021	<b>87,023</b>	<b>101,376</b>	<b>266,205</b>	<b>454,604</b>
Balance as at 1 July 2021	87,023	101,376	266,205	454,604
Additions	16,220	41,089	12,526	69,835
Depreciation expense	(11,736)	(86,636)	(55,753)	(154,125)
Balance as at 30 June 2022	<b>91,507</b>	<b>55,829</b>	<b>222,978</b>	<b>370,314</b>

### 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
Leasehold improvements	Over the initial period of the lease

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

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.

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**10 Intangible assets**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Distribution rights	4,459,426	4,459,426
Less: Accumulated amortisation	(424,707)	-
	<u>4,034,719</u>	<u>4,459,426</u>
Goodwill	1,269,400	1,269,400
Less: Impairment	(1,269,400)	(1,269,400)
	<u>-</u>	<u>-</u>
Brand name	525,000	525,000
Less: Impairment	-	-
	<u>525,000</u>	<u>525,000</u>
Customer contracts	536,000	536,000
Less: Accumulated amortisation	(536,000)	(536,000)
	<u>-</u>	<u>-</u>
Software - including CHEF Framework	2,934,346	2,833,823
Less: Accumulated amortisation	(2,934,346)	(2,832,284)
	<u>-</u>	<u>1,539</u>
	<u><b>4,559,719</b></u>	<u><b>4,985,965</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>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 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>4,459,426</u>	<u>-</u>	<u>525,000</u>	<u>-</u>	<u>1,539</u>	<u>4,985,965</u>
Balance as at 1 July 2021	4,459,426	-	525,000	-	1,539	4,985,965
Additions	-	-	-	-	100,523	100,523
Amortisation expense	(424,707)	-	-	-	(102,062)	(526,769)
Balance as at 30 June 2022	<u><b>4,034,719</b></u>	<u>-</u>	<u><b>525,000</b></u>	<u>-</u>	<u>-</u>	<u><b>4,559,719</b></u>

The brand name is considered a corporate asset as it does not generate cash flows independently of other assets and its carrying amount cannot be allocated on a reasonable and consistent basis across the two CGUs. For impairment testing purposes, the carrying amount of the brand name is compared to the recoverable amount of the group of CGUs (ie: Hydrix Services and Hydrix Medical). 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 has been allocated to the following cash-generating units:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Brand Name</b>		
Group (Hydrix Services & Hydrix Medical)	525,000	525,000
	<u><b>525,000</b></u>	<u><b>525,000</b></u>

## 10 Intangible assets (continued)

The key assumptions used in the discounted cash flow model for the Group CGU are included below.

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

Item	Assumption	Rationale
Revenue Growth Rates – FY 2023 onwards	Per approved budget	Based on existing contracts and proposals in various stages of negotiation
Revenue Growth Rates – FY 2024 onwards	10% p.a annual average growth	The consolidated entity's strategy is expected to continue to increase both the scale of the services business and generate other revenue streams
Expenditure Growth Rates – FY 2023 onwards	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2024 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%	Base rate entity company tax rate
Working Capital	12% of revenues	Average working capital required
Discount Rate	19% 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

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

Item	Assumption	Rationale
Revenue Growth Rates – FY 2023 onwards	Per approved budget	Based on estimated timing of key regulatory approvals and market adoption
Revenue Growth Rates – FY 2024 onwards	Minimum sales requirements outlined in distribution and supply agreement	Minimum performance required
Expenditure Growth Rates – FY 2023 onwards	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2024 onwards	Minimum sales requirements outlined in distribution and supply agreement	Minimum performance required
Years forecasted	Fixed 7 year period	Initial term of distribution and supply agreement
Tax Rate	25%	Base rate entity company tax rate
Working Capital	10% of revenues	Average working capital required
Discount Rate	19% 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

### 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 10% 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 2% 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.

10 Intangible assets (continued)

**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 have an amortisation period of 7 years commencing 1 November 2021.*

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 between 1 to 5 years.*

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Listed ordinary shares	20,751	33,371
Unlisted ordinary shares	3,500,726	2,565,303
Unlisted ordinary options	16,165	-
Convertible Note	301,821	248,428
	<b><u>3,839,463</u></b>	<b><u>2,847,102</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 shares</b>	<b>Unlisted ordinary options</b>	<b>Listed ordinary shares</b>	<b>Convertible Note</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening fair value as at 1 July 2020	2,204,480	-	30,224	-	2,234,704
Additions (i) (ii) (iii) (iv)	400,038	-	-	256,875	656,913
Fair value increments/(decrements)	255,603	-	3,147	(8,447)	250,303
Fair value increments/(decrements) due to FX	(294,818)	-	-	-	(294,818)
Closing fair value as at 30 June 2021	<b><u>2,565,303</u></b>	<b><u>-</u></b>	<b><u>33,371</u></b>	<b><u>248,428</u></b>	<b><u>2,847,102</u></b>
Opening fair value as at 1 July 2021	2,565,303	-	33,371	248,428	2,847,102
Additions (v) (vi) (vii)	150,150	81,000	-	276,900	508,050
Interest accrued	-	-	-	6,875	6,875
Fair value increments/(decrements)	400,050	(64,835)	(12,620)	33,393	355,988
Fair value increments/(decrements) due to FX	121,448	-	-	-	121,448
Transfers (viii)	263,775	-	-	(263,775)	-
Closing fair value as at 30 June 2022	<b><u>3,500,726</u></b>	<b><u>16,165</u></b>	<b><u>20,751</u></b>	<b><u>301,821</u></b>	<b><u>3,839,463</u></b>

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

(ii) 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.

(iii) 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.

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

(v) During September 2021 the consolidated entity received 3,000,000 unlisted options in Memphasys Limited (ASX: MEM) valued at \$81,000 as part of a commercial arrangement.

(vi) During November 2021 the consolidated entity acquired 2,145 shares of Series A stock in Cyban Pty Ltd for \$150,150.

(vii) During June 2022 the consolidated entity entered into a convertible note agreement with Gyder Surgical Pty Ltd with a total issue price of \$276,900.

(viii) During June 2022 the consolidated entity received 4,691 ordinary shares in Gyder Surgical Pty Ltd valued at \$263,775 on conversion of notes.

**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(j) for further information on fair value measurement.

# **11 Financial assets at fair value through profit & loss (continued)**

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 2022 and 30 June 2021.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2022</b>				
<b>Financial assets</b>				
Listed securities	20,751	-	-	20,751
Unlisted options in Memphasys Limited	-	16,165	-	16,165
Investment in Angel Medical Systems, Inc.	-	-	1,451,630	1,451,630
Investment in Cyban Pty Ltd	-	-	950,250	950,250
Investment in Gyder Surgical Pty Ltd	-	-	1,098,846	1,098,846
Gyder Surgical Pty Ltd convertible note	-	-	301,821	301,821
<b>Total financial assets recognised at fair value</b>	<b>20,751</b>	<b>16,165</b>	<b>3,802,547</b>	<b>3,839,463</b>
<b>Financial liabilities</b>				
Embedded derivative liability	-	108,595	-	108,595
<b>Total financial liabilities recognised at fair value</b>	<b>-</b>	<b>108,595</b>	<b>-</b>	<b>108,595</b>
<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>

There were no transfers between Level 1, Level 2, and Level 3 during the twelve month period to 30 June 2022. 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.

## *Investment in Memphasys Limited (Options) (Level 2)*

A Black-Scholes model has been used as a valuation technique to value the unlisted options in Memphasys Limited (ASX: MEM).

## *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.

## *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

## *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 May 2022.

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

Management determined the fair value of this investment 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.

Gyder Surgical Pty Ltd, Cyban Pty Ltd, and Angel Medical Systems, Inc. are private companies and their valuations are 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.

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**12 Trade and other payables**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	373,032	346,322
Other payables	853,865	260,208
Accrued liabilities	197,566	922,863
	<b><u>1,424,463</u></b>	<b><u>1,529,393</u></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>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Contract assets</b>		
Current	<b><u>851,801</u></b>	<b><u>1,090,544</u></b>

The value of contract assets at the end of the reporting period was \$851,801 (30 June 2021: \$1,090,544) and is expected to be invoiced in future periods as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Within 6 months	851,801	1,090,544
6 to 12 months	-	-
12 to 18 months	-	-
18 to 24 months	-	-
	<b><u>851,801</u></b>	<b><u>1,090,544</u></b>

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Contract liabilities</b>		
Current	<b><u>1,513,453</u></b>	<b><u>1,601,717</u></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 \$1,513,453 (30 June 2021: \$1,601,717) and is expected to be recognised as revenue in future periods as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Within 6 months	725,017	699,307
6 to 12 months	296,027	466,667
12 to 18 months	492,409	435,743
18 to 24 months	-	-
	<b><u>1,513,453</u></b>	<b><u>1,601,717</u></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.*

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**14 Other liabilities**

	<b>2022</b>	<b>2021</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Contingent consideration liability	2,903,179	2,499,687
	<b><u>2,903,179</u></b>	<b><u>2,499,687</u></b>

*Contingent consideration liability*

The contingent consideration for the Asia Pacific distribution rights of the AngelMed Guardian System 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.

**15 Employee benefits**

	<b>2022</b>	<b>2021</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Annual leave	673,932	693,044
Long service leave	301,067	209,258
	<b><u>974,999</u></b>	<b><u>902,302</u></b>
<b>Non - current</b>		
Long service leave	160,668	201,863
	<b><u>160,668</u></b>	<b><u>201,863</u></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.



## 16 Provisions

	2022	2021
Non - current	\$	\$
Lease make-good provision	173,760	189,371
	<b>173,760</b>	<b>189,371</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. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time.

### **Movements in provisions**

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

	2022	2021
Consolidated	\$	\$
Carrying amount at the start of the year	189,371	190,209
Unwinding of discount	(15,611)	(838)
Amounts used	-	-
Unused amounts reversed	-	-
Carrying amount at the end of the year	<b>173,760</b>	<b>189,371</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

	2022	2021
Current	\$	\$
Shareholder loans - Unsecured	1,000,000	1,000,000
BOQ Finance	43,768	-
	<b>1,043,768</b>	<b>1,000,000</b>
Non-Current		
Shareholder loans - Unsecured	1,250,000	1,250,000
	<b>1,250,000</b>	<b>1,250,000</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 2022, this loan was fully drawn. The loan is repayable on 31 July 2023 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 2022, this loan was fully drawn. The loan was originally repayable on 31 January 2023 or such later date as agreed by the parties.

Subsequent to the end of the financial year the interest rate on the \$1,000,000 unsecured loan facility was increased from 6% to 8% p.a. effective from 1 September 2022, and the repayment terms were renegotiated, as follows:

- \$250,000 is repayable on 31 January 2023;
- \$150,000 is repayable on 31 July 2023;
- \$150,000 is repayable on 31 August 2023;
- \$150,000 is repayable on 30 September 2023;
- \$150,000 is repayable on 31 October 2023; and
- \$150,000 is repayable on 30 November 2023;

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:

	2022	2021
	\$	\$
<b>Total facilities</b>		
Shareholder loans	2,250,000	2,250,000
	<u>2,250,000</u>	<u>2,250,000</u>
<b>Used at the reporting date</b>		
Shareholder loans	2,250,000	2,250,000
	<u>2,250,000</u>	<u>2,250,000</u>
<b>Unused at the reporting date</b>		
Shareholder loans	-	-
	<u>-</u>	<u>-</u>

### 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 \$0.10 and expiry date of 17 December 2023.

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

	2022	2021
Share price at measurement date	\$0.07	\$0.19
Expected volatility	61.70%	110.00%
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.70%	0.83%
Carrying amount of liability	<u>\$108,595</u>	<u>\$770,910</u>

## 19 Leasing

The consolidated entity leases an office building. The lease liability is secured by the related underlying right-of-use asset. The maturity analysis of lease payments at 30 June 2022 were as follows:

	Maturity analysis			Total
	Within one year	One to five years	After five years	
	\$	\$	\$	\$
Lease payments	<u>1,015,194</u>	<u>2,672,401</u>	<u>-</u>	<u>3,687,595</u>
<b>Lease liabilities</b>			<b>2022</b>	<b>2021</b>
Current			\$ 747,796	\$ 637,184
Non-current			<u>2,362,381</u>	<u>3,086,770</u>
			<b><u>3,110,177</u></b>	<b><u>3,723,954</u></b>

During the year ended 30 June 2022 the consolidated entity and its landlord agreed to the following rent concessions as a direct consequence of the COVID-19 pandemic:

- a) for the period from 28 July 2021 to 31 October 2021, 31.5% of the rent is deferred and 31.5% of the rent is waived; and
- b) for the period from 1 November 2021 to 15 January 2022, 12.0% of the rent is deferred and 12.0% of the rent is waived;

The deferred rent is payable in equal monthly instalments during the period from 1 February 2022 to 31 December 2025.

The consolidated entity applied AASB 2021-3 which 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.

### Accounting Policy - Lease payments

*An assessment is made at contract inception as to 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.*

*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.*

Set out below are the carrying amounts of the consolidated entity's right-of-use assets:

	Property	
	2022	2021
	\$	\$
Right-of-use assets	2,999,477	2,999,477
Depreciation	<u>(1,384,374)</u>	<u>(922,916)</u>
	<b><u>1,615,103</u></b>	<b><u>2,076,561</u></b>

### Reconciliations

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

	Total
	\$
Balance as at 1 July 2020	2,538,019
Additions	-
Depreciation expense	<u>(461,458)</u>
Balance as at 30 June 2021	<b><u>2,076,561</u></b>
Balance as at 1 July 2021	2,076,561
Additions	-
Depreciation expense	<u>(461,458)</u>
Balance as at 30 June 2022	<b><u>1,615,103</u></b>

20 Equity - issued capital

	Consolidated			
	2022 Shares	2021 Shares	2022 \$	2021 \$
<b>a) Ordinary shares - fully paid</b>	<b>197,636,060</b>	<b>162,815,530</b>	<b>98,822,417</b>	<b>95,402,178</b>
<b>Movements in ordinary share capital</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1-Jul-21	162,815,530		95,402,178
Issue of shares under option	28-Jul-21	1,184	\$0.120	142
Issue of shares under option	3-Aug-21	316,668	\$0.120	38,000
Issue of shares under option	20-Aug-21	8,917	\$0.120	1,070
Issue of shares as part of commercial arrangement	14-Sep-21	1,000,000	\$0.150	150,000
Issue of shares to employees under company's LTIP	16-Sep-21	25,000	\$0.337	8,427
Issue of shares to employees under company's LTIP	26-Nov-21	14,062	\$0.337	4,741
Issue of shares to KMP	26-Nov-21	468,750	\$0.266	124,531
Issue of shares to KMP	30-Nov-21	150,000	\$0.275	41,250
Issue of shares under option	27-Jan-22	55,949	\$0.120	6,714
Issue of shares under placement	7-Mar-22	22,280,000	\$0.100	2,228,000
Issue of shares as part of contingent consideration	15-Mar-22	4,500,000	\$0.110	495,000
Issue of shares to Related Parties under placement	14-Apr-22	6,000,000	\$0.100	600,000
Share issue transaction costs, net of tax		-		(277,636)
Balance	30-Jun-22	<b>197,636,060</b>		<b>98,822,417</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.

**b) Unlisted options issued**

	<b>Options</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 forfeited on failure to meet vesting conditions	(254,472)
At the end of the reporting period - 30 June 2021	<b>1,745,989</b>
At 1 July 2021	1,745,989
- Options which expired unexercised	(143,019)
- Options issued under the LTIP	934,825
- Options issued to joint lead managers	1,000,000
- Options exercised	(39,062)
- Options forfeited on failure to meet vesting conditions	(148,655)
At the end of the reporting period - 30 June 2022	<b>3,350,078</b>

20 Equity - issued capital (continued)

<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>
At 1 July 2021	19,290,850
- Options issued	28,280,000
- Options exercised	(382,718)
- Options which expired unexercised	-
At the end of the reporting period - 30 June 2022	<b>47,188,132</b>
<b>d) Performance rights issued</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>
At 1 July 2021	900,000
- Performance rights issued	5,250,000
- Performance rights exercised	(618,750)
- Performance rights forfeited on failure to meet vesting conditions	(31,250)
At the end of the reporting period - 30 June 2022	<b>5,500,000</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.

## 21 Equity - reserves

	Consolidated	
	2022	2021
	\$	\$
Share based payments reserve	612,100	454,814
Contingent consideration equity reserve	825,000	1,320,000
Foreign currency translation reserve	(6,253)	(1,909)
	<b>1,430,847</b>	<b>1,772,905</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. The contingent consideration is made up of both cash payments 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:

	Contingent consideration equity reserve	Share based payments reserve	Other reserves	Total Reserves
	\$	\$	\$	\$
Balance at 30 June 2020	1,320,000	494,874	-	1,814,874
Share based payments	-	426,771	-	426,771
Options which expired unexercised	-	(330,017)	-	(330,017)
Options exercised	-	(26,814)	-	(26,814)
Performance rights exercised	-	(110,000)	-	(110,000)
Movement in functional currency of foreign operations	-	-	(1,909)	(1,909)
Balance at 30 June 2021	1,320,000	454,814	(1,909)	1,772,905
Share based payments	-	316,310	-	316,310
Share based payments - share issue costs	-	52,002	-	52,002
Options which expired unexercised	-	(27,038)	-	(27,038)
Options exercised	-	(10,238)	-	(10,238)
Performance rights exercised	-	(165,781)	-	(165,781)
Performance rights forfeited failing vesting conditions	-	(7,969)	-	(7,969)
Contingent equity consideration (i)	(495,000)	-	-	(495,000)
Movement in functional currency of foreign operations	-	-	(4,344)	(4,344)
Balance at 30 June 2022	<b>825,000</b>	<b>612,100</b>	<b>(6,253)</b>	<b>1,430,847</b>

(i) On 15 March 2022, the consolidated entity issued 4,500,000 shares valued at \$495,000 to settle tranche 1 of the contingent equity consideration which became payable upon FDA approval of the next generation AngelMed Guardian System (refer to Note 20).

### 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.

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**22 Equity - accumulated losses**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(91,465,430)	(82,025,843)
Loss after income tax expense for the year	(5,546,389)	(9,778,693)
Transfer from options reserve to account for exercised options	-	9,089
Transfer from options reserve to account for expired options	35,007	330,017
Accumulated losses at the end of the financial year	<u><b>(96,976,812)</b></u>	<u><b>(91,465,430)</b></u>

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Total comprehensive loss for year</b>	(5,550,733)	(9,780,602)
Adjustments for:		
Effects of exchange rate changes on cash and cash equivalents	(11)	25
Depreciation and amortisation	1,142,352	2,446,900
(Gain)/Loss on contingent consideration liability	166,787	190,486
(Gain)/Loss on financial instruments at fair value through profit or loss	(1,018,303)	69,825
Impairment of goodwill	-	1,269,400
Impairment of receivables	(55,874)	(94,602)
(Profit)/Loss on disposal of fixed assets	(13,857)	-
Non-cash finance charges	-	257,403
Services rendered for equity	-	(249,999)
Share based payments	316,310	426,771
Expenses paid by issue of ordinary shares	150,000	35,484
Unrealised foreign exchange (Gain)/Loss	111,466	79,537
Unwinding of the discount on provisions	(15,611)	(838)
Interest on convertible note	(6,875)	(6,875)
Interest received	(6,564)	(15,328)
Interest and other finance costs paid	463,906	943,605
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,661,308)	2,358,308
Decrease/(increase) in contract assets	238,743	(408,712)
Decrease/(increase) in prepayments	(60,594)	(38,204)
Decrease/(increase) in inventory	(354)	(11,281)
Decrease/(increase) in other assets	15,375	(66,834)
Increase/(decrease) in trade and other payables	(185,930)	282,292
Increase/(decrease) in contract liabilities	(88,264)	310,709
Increase/(decrease) in provisions	31,502	121,223
Increase/(decrease) in other liabilities	(96,610)	(51,938)
<b>Net cash from operating activities</b>	<u><b>(6,124,447)</b></u>	<u><b>(1,933,245)</b></u>

## 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 2022 all borrowings were at fixed rates.

The consolidated entity's shareholder loans outstanding, totalling \$2,250,000 (2021: \$2,250,000), are interest only loans. Monthly cash outlays of \$12,917 (2021: \$11,250) are required to service the interest payments. As at 30 June 2022, no repayments on the loans were due until 31 January 2023.

#### *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 \$3,537,642 (2021: \$2,598,674).

### *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 \$353,764 (2021: \$259,867).

The following investments constitute 100% of the consolidated entity's equity portfolio and security price risk:

Company	Fair Value (\$)	Portfolio (%)
<b>2022</b>		
Angel Medical Systems, Inc.	1,451,630	41.0%
Cyban Pty Ltd	950,250	26.9%
Gyder Surgical Pty Ltd	1,098,846	31.1%
Other	36,916	1.0%
	<b>3,537,642</b>	<b>100.0%</b>
<b>Company</b>	<b>Fair Value (\$)</b>	<b>Portfolio (%)</b>
<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%
Other	33,371	1.3%
	<b>2,598,674</b>	<b>100.0%</b>

### *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.



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24 Financial Instruments (continued)

2022	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>						
Contingent consideration liability		2,903,179	-	-	-	2,903,179
Trade payables		373,032	-	-	-	373,032
Other payables		853,865	-	-	-	853,865
Accrued liabilities		197,566	-	-	-	197,566
<i>Interest-bearing - fixed rate</i>						
Shareholder loans	6.00%	1,000,000	1,250,000	-	-	2,250,000
Total non-derivatives		<u>5,327,642</u>	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>6,577,642</u>
<b>Derivatives</b>						
Warrants		108,595	-	-	-	108,595
Total derivatives		<u>108,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,595</u>
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>						
Contingent consideration liability		2,499,687	-	-	-	2,499,687
Trade payables		346,322	-	-	-	346,322
Other payables		260,208	-	-	-	260,208
Accrued liabilities		922,863	-	-	-	922,863
<i>Interest-bearing - fixed rate</i>						
Shareholder loans	6.00%	1,000,000	1,250,000	-	-	2,250,000
Total non-derivatives		<u>5,029,080</u>	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>6,279,080</u>
<b>Derivatives</b>						
Warrants		770,910	-	-	-	770,910
Total derivatives		<u>770,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,910</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 at "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).

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**25 Key Management Personnel**

*Compensation*

The aggregate compensation made to directors of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	467,630	409,887
Fees paid to director	125,455	82,536
Post-employment benefits	50,386	39,435
Long-term benefits	5,772	5,014
Share-based payments:		
- Expensed during the year	204,270	157,518
	<b>853,512</b>	<b>694,390</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>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Audit services - Grant Thornton Audit Pty Ltd	114,500	130,000
Audit or review of the financial statements	<b>114,500</b>	<b>130,000</b>

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Tax Services - Grant Thornton Australia Limited	12,540	35,885
Other services	<b>12,540</b>	<b>35,885</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*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loans repaid to shareholders	-	500,000
Interest expenses on loans from shareholders	135,000	153,759

*Receivable from and payable to related parties*

There were no receivables from / payables to related parties as at reporting date (30 June 2021: nil).

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**27 Related party transactions (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Loans to/from related parties</i>		
Loans from shareholders	<u>2,250,000</u>	<u>2,250,000</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>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
(Loss) after income tax	<u>(1,593,466)</u>	<u>(13,376,074)</u>
Total comprehensive income	<u>(1,593,466)</u>	<u>(13,376,074)</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Total current assets	<u>1,419,738</u>	<u>6,057,074</u>
Total assets	<u>9,719,832</u>	<u>10,670,116</u>
Total current liabilities	<u>1,411,933</u>	<u>1,031,911</u>
Total liabilities	<u>2,676,146</u>	<u>3,290,393</u>
Equity		
Issued Capital	98,822,417	95,402,178
Contingent consideration equity reserve	825,000	1,320,000
Share based payments reserve	612,100	454,814
Accumulated losses	<u>(93,215,831)</u>	<u>(89,797,269)</u>
Total Equity	<u><b>7,043,686</b></u>	<u><b>7,379,723</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 2022 (2021: nil)

*Capital commitments - Plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 30 June 2022 and 30 June 2021.

*Significant accounting policies*

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

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**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	
		2022 %	2021 %
Hydrix Services Pty Ltd	Australia	100%	100%
Hydrix Ventures Pty Ltd	Australia	100%	100%
Hydrix Medical Pty Ltd	Australia	100%	100%
Hydrix Medical New Zealand Limited	New Zealand	100%	N/A
Hydrix Medical Pte Ltd	Singapore	100%	100%

**30 Earnings per share**

	Consolidated	
	2022 \$	2021 \$
Loss after income tax attributable to the owners of Hydrix Limited	(5,546,389)	(9,778,693)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	174,019,407	142,927,338
Anti-dilutive shares excluded from weighted average number of ordinary shares:		
Options and rights over ordinary shares	56,038,210	21,936,839
Warrant shares	8,000,000	8,000,000
Contingent equity consideration	7,500,000	12,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	174,019,407	142,927,338
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(3.19)	(6.84)

In addition to the 3,350,078 non-quoted options issued (refer to Note 31) the following quoted options were in existence during the year:

**HYDO Options**

These options can be transferred and are quoted on the ASX (ASX: HYDO).

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	5,776,859	-	382,718	-	5,394,141
31-Jul-20	31-Jul-22	\$0.120	8,847,325	-	-	-	8,847,325
18-Sep-20	31-Jul-22	\$0.120	4,666,666	-	-	-	4,666,666
			<b>19,290,850</b>	<b>-</b>	<b>382,718</b>	<b>-</b>	<b>18,908,132</b>

**HYDOA Options**

On 14 April 2022, 28,280,000 options were issued under the Placement Offer as announced by the consolidated entity on 28 February 2022.

These options can be transferred and are quoted on the ASX (ASX: HYDOA).

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
14-Apr-22	31-Mar-24	\$0.180	-	28,280,000	-	-	28,280,000
			<b>-</b>	<b>28,280,000</b>	<b>-</b>	<b>-</b>	<b>28,280,000</b>

### 30 Earnings per share (continued)

#### 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.

### 31 Share-based payments

On 26th November 2021 468,750 shares were issued to key management personnel with a total fair value of \$124,531. A further issue of 150,000 shares with a total fair value of \$41,250 was made to key management personnel on 30 November 2021 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:

	Consolidated	
	2022	2021
	\$	\$
Expenses arising from equity-settled share-based payment transactions	<b>316,310</b>	<b>426,771</b>

#### 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 2022 financial 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
9-Mar-20	30-Jun-25	\$0.290	535,315	-	-	68,689	466,626
8-Sep-20	30-Jun-25	\$0.075	654,737	-	-	161,085	493,652
2-Oct-20	30-Jun-25	\$0.075	555,937	-	39,062	25,000	491,875
17-Jan-22	30-Jun-26	\$0.100	-	934,825	-	36,900	897,925
			<b>1,745,989</b>	<b>934,825</b>	<b>39,062</b>	<b>291,674</b>	<b>2,350,078</b>

For the options issued under the LTIP during the current financial year, the fair value at the grant date (\$0.101) was calculated by applying the Black-Scholes valuation model.

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.

On 7 March 2022, 1,000,000 non-quoted options with a fair value of \$52,002 were issued to the lead joint lead managers of the Placement Offer, as part consideration for services provided.

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
7-Mar-22	7-Mar-25	\$0.300	-	1,000,000	-	-	1,000,000
			-	<b>1,000,000</b>	-	-	<b>1,000,000</b>

### 31 Share-based payments (continued)

#### **Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2022 is 3 year and 2 months (2021: 4 years).

#### **Range of exercise price**

The range of exercise prices for options outstanding at end of the year was \$0.075 - \$0.30 (2021: \$0.075 - \$0.29).

The following performance rights were in existence during the 2022 financial year.

Grant date	Vesting date	Exercise price	Balance at the start of the year	Performance rights granted	Performance rights exercised	Performance rights expired/lapsed	Balance at the end of the year
17-Dec-19	30-Jun-21	\$0.00	250,000	-	250,000	-	-
17-Dec-19	30-Jun-21	\$0.00	150,000	-	150,000	-	-
17-Dec-20	30-Jun-21	\$0.00	250,000	-	218,750	31,250	-
17-Dec-20	30-Jun-22	\$0.00	250,000	-	-	-	250,000
24-Nov-21	30-Jun-22	\$0.00	-	250,000	-	-	250,000
24-Nov-21	30-Jun-23	\$0.00	-	750,000	-	-	750,000
24-Nov-21	30-Jun-24	\$0.00	-	4,250,000	-	-	4,250,000
			<b>900,000</b>	<b>5,250,000</b>	<b>618,750</b>	<b>31,250</b>	<b>5,500,000</b>

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

#### **Weighted average remaining contractual life**

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2022 is 5 years and 7 months (2021: 1 year and 3 months).

#### **Weighted average fair value**

The weighted average fair value of performance rights granted during the year was \$0.11 (2021: \$0.275).

For the performance rights granted during the current financial year, the fair value at the grant date was calculated as follows:

- (i) The fair value of the 3,250,000 performance rights issued without attaching market conditions is equal to the share price as at the grant date, given the consolidated entity is non dividend-paying.
- (i) The fair value of the 2,000,000 performance rights issued with attaching market conditions was calculated using a binomial option pricing model, which takes account of the price hurdle required for the performance rights to vest.

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

### 31 Share-based payments (continued)

#### **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 2022 (2021: nil).



### **33 Events after the reporting period**

On 14 July 2022, the consolidated entity established a wholly owned subsidiary in the USA, Hydrix DE LLC, to employ a US based business development resource as part of expanding global revenues.

On 8 August 2022, the consolidated entity announced a Loyalty Options Offer to its securityholders as follows:

- Eligible Shareholders will be offered Loyalty Options at a ratio of one (1) for every eight (8) Shares held as at the relevant record date.
- Eligible HYDO holders will be offered Loyalty Options at a ratio of one (1) for every one (1) HYDO Option held prior to their expiry on 31 July 2022.
- Loyalty Options will have an issue price of \$0.005 per Loyalty Option, an exercise price of \$0.12, and an expiry date of 31 December 2023.
- For every two (2) Loyalty Options exercised by a holder on or before 30 April 2023, the consolidated entity will issue one (1) further Piggyback Option to the holder for nil consideration. Piggyback Options will have an exercise price of \$0.28, and expiry date of 30 April 2025.
- The consolidated entity intends to seek shareholder approval under ASX Listing Rules 7.1 and 10.11, as may be necessary for the consolidated entity to issue the Piggyback Options and the Loyalty Options.

On 15 August 2022, the consolidated entity announced the approval from the Health Sciences Authority of Singapore (HSA) to market and distribute The Guardian cardiac monitor in Singapore.

On 23 August 2022, the interest rate on the \$1,000,000 unsecured shareholder loan facility was increased from 6% to 8% p.a. effective from 1 September 2022, and the repayment terms were renegotiated, as follows:

- \$250,000 is repayable on 31 January 2023;
- \$150,000 is repayable on 31 July 2023;
- \$150,000 is repayable on 31 August 2023;
- \$150,000 is repayable on 30 September 2023;
- \$150,000 is repayable on 31 October 2023; and
- \$150,000 is repayable on 30 November 2023;

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Hydrix Limited**  
**Directors' Declaration**  
**30 June 2022**

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 2022 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*.

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Mr Gavin Coote  
**Executive Chairman**  
Dated: 30 August 2022

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## 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 2022, 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 2022 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.

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## 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 \$5,546,389 during the year ended 30 June 2022, and as of that date, the Consolidated Entity's current liabilities exceeded its current assets by \$3,658,545. 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>Impairment assessment of non-financial assets – Note 9, Note 10, Note 19</b>	
<p>At 30 June 2022, the carrying value of intangible assets is \$4,559,719 (inclusive of brand name and distribution rights), right-of-assets is \$1,615,103 and plant and equipment is \$370,314.</p> <p>In accordance with AASB 136 <i>Impairment of Assets</i>, the Consolidated Entity is required to assess if there are indicators of impairment and, with respect to brand name, assess 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>	<ul style="list-style-type: none"><li>• Our procedures included, amongst others:</li><li>• Reviewing management's assessment of the impairment indicators on non-financial assets including, distribution rights, ROU assets and plant and equipment;</li><li>• Reviewing the value-in-use (VIU) model for the Services and Medical CGUs for compliance with AASB 136;</li><li>• Verifying the mathematical accuracy and methodology appropriateness of the underlying VIU model 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 performing a sensitivity analysis of the inputs in the VIU model; 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 2022, the Consolidated Entity recognised sales to external customers of \$10,325,018 (2021: \$7,445,221) from variable and fixed price service contracts. This revenue is recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i>.</p> <p>Measuring the amount of revenue to recognise in the financial statements, including identifying performance obligations, evaluating 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 recognising revenue, particularly near year-end.</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 has been recorded in the correct period and in compliance with AASB 15;</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 assessing the completeness of the contract liabilities; and</li><li>• Assessing the adequacy of disclosures for compliance 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 2022, 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://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 12 to 16 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Hydrix Limited, for the year ended 30 June 2022 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

Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance  
Melbourne, 30 August 2022