



## ASX Announcement

31 July 2023

### Hydrix Reports Continued Growth Trajectory in June Quarter and Convertible Note Capital Raising

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C for the quarter ended 30 June 2023 (4Q23) and provides the following **Market Update**.

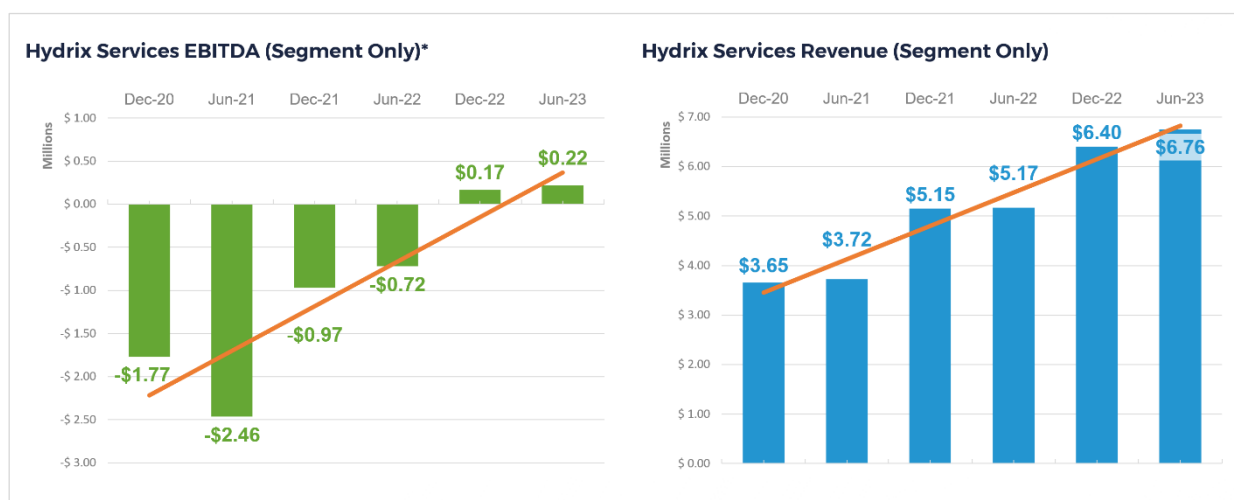
#### 4<sup>th</sup> Quarter Financial Highlights

- **20%** 4Q23 revenue growth (pcp) for Hydrix Services lifting annual revenues to **\$13.16m** (+28% YoY)
- **131%** improvement in Hydrix Services cash operating profit to **\$0.05m** (PCP loss \$0.16m)

#### 4<sup>th</sup> Quarter Group Milestones and Business Updates

- Hydrix **Services** continued growth trajectory in the quarter (**up 20%**). This concluded four sequential quarters of profitability, leading to a full year cash operating profit of **\$0.39m** (see growth chart below)

#### The Hydrix Services Business Growth (Half Year Periods) Results Performance



\* Excludes other income from COVID19 government support programs



- Hydrix **Services** signed and announced a **\$1.5m** revolving finance facility from TradePlus24 Australia (18 April 2023) to provide working capital to support Services revenue growth
- Hydrix **Medical** was granted regulatory approval by the Thai FDA to market & distribute the Guardian in Thailand (27 June 2023) paving the way for further go-to-market activities to commence
- Hydrix **Medical** announced the appointment of a specialist interventional cardiovascular products company as sub-distributor for the Guardian in Malaysia (17 May 2023) paving the way to commence the sales in Malaysia
- Hydrix Medical signed and announced distribution agreements with **TWO** disruptive AI cardiovascular software technology companies
  1. **Implicity** (16 May 2023)
  2. **Echo IQ** (2 May 2023)

These products are actively being marketed for sale by Hydrix in Australia, New Zealand, and Singapore on a software-as-a-service subscription basis, annual recurring revenues from initial sales are anticipated to commence in the second half of CY2023

- Hydrix **Ventures** investment in **Avertix Medical** (previously Angel Medical owner of the Guardian product) increases indicatively to **~A\$3.0m** after it announced a business combination with BioPlus Acquisition Corp (BIOS.NASDAQ) (4 May 2023) and lodged a US\$10.00 per share IPO prospectus with the US Securities Exchange Commission to list on the NASDAQ (16 May 2023)
- Hydrix **Ventures** announced (19 April 2023) **Gyder Surgical** was granted approval by the Australian Therapeutic Goods Administration (TGA) to commence marketing its product in Australia. Approval triggered an equity milestone payment to Hydrix of **\$0.33m**, increasing the NTA book value to **\$1.77m**.

## Preliminary Full Year 2023 Group Financial Highlights (Unaudited)

- **28% increase** to Group customer revenues of **\$13.16m** (PCP \$10.3m). This was achieved on a small 5.4% increase to employee costs reflecting improvements in billable capacity and contract pricing
- **127% improvement** in Hydrix Services **full year cash operating profit of \$0.39m** (PCP loss \$1.45m), profitable in each half (refer charts below)
- **44% increase** in cash receipts from customers to **\$14.09m** (PCP \$9.77m)
- **27% increase** in Ventures net tangible asset (NTA) value to **\$4.89m**
- **34% improvement** in Group cash operating loss down to **\$3.33m** (PCP loss \$5.03m)
- **44% improvement** in net cash used in Group operating activities down to **\$4.00m** (PCP \$7.15m).



## Subsequent to Year End – Convertible Note Capital Raising

The Company is pleased to announce that it has secured subscription commitments from sophisticated and institutional investors for a convertible note capital raising, under which the Company will raise \$3.1m (with discretion to accept oversubscriptions). The \$3.1m raised comprises of:

- \$1.1m of new capital from Directors Paul Lewis and Paul Wright, and major shareholder (and related party) John King, or their respective associated entities;
- \$0.5m of new capital from other non-related party sophisticated / institutional investors introduced by the lead manager of the capital raising, Baker Young; and
- \$1.5m of existing shareholder loans (from entities associated with Director Joanne Bryant and major shareholder John King) which have been rolled-over into the convertible note capital raising (shareholder loans outstanding on a pre-capital raising basis: \$1.75m).

The key terms of the convertible notes are set out in the Annexure.

The capital raising will be undertaken in two tranches:

- the issue of Tranche 1 (\$0.5m) convertible notes to non-related parties, which is not subject to shareholder approval, will occur on or before Friday 18 August 2023; and
- the issue of Tranche 2 (\$2.6m) convertible notes to related parties (including Directors) will be subject to shareholder approval under ASX Listing Rule 10.11.

The Tranche 1 convertible notes, which are convertible into a maximum of 33.33m fully paid ordinary shares in the capital of Hydrix (**Shares**), will be issued under the Company's available placement capacity under ASX Listing Rule 7.1.

The funds raised will be applied towards the Company's working capital requirements. Pro forma funds available on 30 June 2023 were approximately \$3.034m (see accompanying Appendix 4C section 8.6.2 for details). Hydrix's funding arrangements support Group working capital requirements through to a target cash operating breakeven in the September quarter of CY2024.

Baker Young acted as lead manager to the capital raising and will receive fees of 6% of funds raised from investors introduced by Baker Young (excluding any funds raised from related parties). In addition, Hydrix will issue to Baker Young a maximum of 2m options, on the basis of 2 new options (each with an exercise price of \$0.06, expiring 2 years from date of issue) for every \$1.00 raised by Baker Young. Issue of the options will be subject to shareholder approval under ASX Listing Rule 7.1.



## Hydrix Executive Chairman, Gavin Coote, commented:

*“We had another highly productive quarter demonstrating we remain focused and on track with our strategy. Major milestones achieved in the quarter and year increase the underlying value of the Group’s assets.*

*“The positive momentum across the Group, means we are well placed to capitalise on opportunities created in FY2024 and the years ahead, and we see strong revenue growth across the business.*

*“Services returned to full year profitability reflecting increases in demand-led billable utilisation and pricing, with strong growth from international medtech clients. For FY2024, we anticipate +10% revenue growth and EBITDA cash operating profit to more than double that achieved in FY2023.*

*“Ventures delivered significant gains this year as a result of investee companies reaching major inflection points. Future venture asset realisations can provide non-dilutive funding to support growth.*

*“Medical announced two new distribution agreements to market disruptive AI cardiovascular software technologies. This confirms demand for Hydrix Medical’s market expertise and distribution capability. We anticipate these new products will generate initial sales later this calendar year.*

*“Medical also advanced market development and regulatory outcomes for the Guardian in the quarter for large markets outside Australia, including Malaysia (sub-distributor appointed) and Thailand (regulatory approval). We anticipate initial sales in these markets in the year ahead.*

*“The convertible note capital raising was strongly supported by the Board. Our funding arrangements support working capital requirements through to a target Group cash operating breakeven in the September quarter of CY2024.”*

Ends ----

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 well-being of a billion lives. The company leverages its powerful product innovation capability across three business segments: **Services**: design, engineer and deliver world first products and innovation; **Ventures**: invest in high potential medtech clients; and **Medical**: distribute disruptive cardiovascular products.

### InvestorHub

Our interactive page at [investorhub.hydrix.com](https://investorhub.hydrix.com) has the latest Hydrix Limited announcements, stock prices, market publications and other key shareholder information.

## Annexure – Key terms of convertible notes

Item	Terms
Face value	\$1.00 per convertible note.
Maturity date	24 months from date of issue. A noteholder may, in relation to some or all of their outstanding convertible notes, by written notice to the Company no later than 8 weeks prior to the maturity date, extend the maturity date for a period of up to 12 months.
Interest	10.00% per annum, payable in cash quarterly in arrears.
Security	Unsecured.
Conversion terms	Subject always to the Corporations Act (including with respect to the 20% takeovers threshold) and Listing Rules, convertible notes are convertible into Shares at the noteholder's election, in minimum parcels of \$25,000 per conversion. Subject to any adjustments for any capital reorganisation events, the conversion price will be the lower of: (a) \$0.05; and (b) the lowest issue price of Shares under any equity capital raising completed by the Company between the issue date and the maturity date, subject to a minimum conversion price of \$0.015.
Redemption terms	Outstanding convertible notes can be redeemed for cash as follows: (a) compulsory redemption on the maturity date (as extended, if applicable); (b) the Company may, during the period of 6 months prior to the maturity date, redeem some or all of the outstanding convertible notes held by a noteholder; or (c) a noteholder can redeem some or all of their outstanding convertible notes if the Company announces a capital raising through an issue of Shares between the issue date and the maturity date, at an issue price of less than \$0.015 per Share; if for any reason the relevant capital raising does not proceed, the noteholder's early redemption right will be automatically revoked.
Default	If an event of default occurs in relation to the Company, a noteholder can redeem or convert their outstanding convertible notes. An event of default occurs if the Company fails to meet its obligations to pay interest, or to convert or redeem the convertible notes in accordance with their terms.
Transferability	The convertible notes are only transferable with Hydrix's consent.

## Appendix 4C

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

**Name of entity**

Hydrix Limited

**ABN**

84 060 369 048

**Quarter ended ("current quarter")**

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,248	14,090
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(285)	(1,448)
(c) advertising and marketing	(164)	(347)
(d) leased assets	(310)	(1,187)
(e) staff costs	(3,111)	(12,389)
(f) administration and corporate costs	(695)	(2,671)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	19
1.5 Interest and other costs of finance paid	(3)	(166)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	95	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,222)</b>	<b>(4,004)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(80)
(d) investments	-	(10)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(15)</b>	<b>(90)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,369
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	1
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(444)
3.5 Proceeds from borrowings	575	795
3.6 Repayment of borrowings	(68)	(406)
3.7 Transaction costs related to loans and borrowings	8	8
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>499</b>	<b>3,307</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,891	1,940
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,222)	(4,004)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(90)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	499	3,307
4.5	Effect of movement in exchange rates on cash held	-	
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,153</b>	<b>1,153</b>
<b>5. Reconciliation of cash and cash equivalents</b>		<b>Current quarter</b>	<b>Previous quarter</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	1,153	1,891
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,153</b>	<b>1,891</b>
<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter</b>	
		<b>\$A'000</b>	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		189
6.2	Aggregate amount of payments to related parties and their associates included in item 2		-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

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

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,750	1,750
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	856	281
<b>7.4 Total financing facilities</b>	<b>2,606</b>	<b>2,675</b>

Other financing facilities include a TradePlus24 Credit line facility of 70% of Trade Debtors up to \$1.5m.

7.5 **Unused financing facilities available at quarter end (\$A)** 281,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security
E.L.G. Nominees Pty Ltd*	\$ 250,000	10.0%	30/09/2023	Unsecured
Convertible Note**	\$ 3,100,000	10.0%	31/07/2025	Unsecured
TradePlus24***	\$ 1,500,000	12.79%	31/05/2024	Secured

\*E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company.

\*\*Convertible note approved by the Board on 25 July 2023. \$0.5m of E.L.G. Nominees loan balance has been rolled into this note, and \$1.0m of John W King Nominees previous loan balance has been rolled into this note

\*\*\* Interest is charged at 8.6% + 30 day BBSW bid rate. Interest rate displayed shows rate as at 30 June 2023. Maximum facility available of \$1.5n

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,222)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,153
8.3 Unused finance facilities available at quarter end (item 7.5)	281
8.4 Total available funding (item 8.2 + item 8.3)	1,434
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.17</b>

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

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

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes, Hydrix expects that it will continue to have the current level of net operating cash flows for the next quarter. Thereafter, Hydrix expects that the positive trend in improved business performance of Hydrix Services and anticipated commencement of revenues from Hydrix Medical product sales will collectively progressively lower cash used in operations.

- 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, Hydrix has taken steps to raise further cash to fund its operations. As announced on 31 July 2023 in Hydrix's accompanying quarterly update announcement, the Company has secured subscription commitments from sophisticated and institutional investors for a convertible note capital raising, under which the Company will raise \$3.1m (with discretion to accept oversubscriptions). The \$3.1m raised comprises \$1.6 million in new capital, and \$1.5 million in shareholder loans which have been rolled over into the convertible notes capital raising. Pro forma available funds on 30 June 2023 of \$3.034m includes \$1.15m cash on hand, the \$1.6m cash injection under the convertible note capital raising, and \$0.28m available under the TradePlus24 trade finance facility on 30 June 2023. Further, Hydrix's estimated revenue is expected to allow additional utilisation of this trade finance facility of up to \$0.64m. On this basis, the pro forma estimated quarters of funding available noted at item 8.5 above is 3.01 quarters, before considering revenue growth and improving profitability, and before potential to realise gains from Hydrix Ventures.

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

Answer: Yes, based on pro forma cash available of \$3.034m and the anticipated improving financial performance outlook.

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

## Compliance statement

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

Date: 31 July 2023

Authorised by: Gavin Coote  
**Executive Chairman**

## Notes

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