



ASX Announcement

18 April 2024

Hydrix Limited ('Hydrix' or 'the **Company**') (ASX: **HYD**) today released its Appendix 4C for the quarter ended 31 March 2024 (4QFY24) and provides the following business activity report.

4th Quarter Financial Highlights

- Hydrix Services sales opportunity pipeline remains at **more than \$300m**:
 - \$2.3m** revenues for the quarter (-36% pcg) and **\$9.2m** for the 9-months YTD (-15% pcg)
 - \$1.3m** sales in the quarter, brings to **~\$30m** (14 clients) the estimated future revenues from Hydrix Services clients who are currently engaged in various contracted project stages
 - 85%** of the sales opportunity pipeline is in international medtech growth corridors, a direct result of expansion in sales, marketing and business development resources in Europe and the USA
- Group cashflows and net cash position as at quarter end:
 - Pro forma \$0.6m** cash on hand 31 March 2024 including fully drawn \$1.0m Director Loan Facility established 25 January 2024
 - \$2.1m** group cash receipts from customers
 - \$1.0m** group net cash used in operating activities (11% more than pcg)
 - \$0.3m** drawn under the **\$1.5m** TP24 trade debtors' facility
 - \$4.1m** outstanding in convertible notes & other loans
- \$5.1m** net asset value in Hydrix Ventures which holds interests in three medtech companies at various stages of commercialisation and seeking regulatory approvals.

Group Business Activity Report

Hydrix Services continued to actively work its highly encouraging \$300m sales opportunity pipeline, of which more than 85% are in Europe and the USA. This includes existing clients currently under various contract stages with the potential to generate estimated future project revenues of **~\$30m** over the next 12-36 months. Projects with cardiovascular technology clients account for approximately **35%** of the pipeline.



As is inherent with specialised engineering services businesses developing complex new medical technologies, revenues do fluctuate; timing of sales closing and projects commencing can be somewhat unpredictable. Sales conversions and revenues in the period reflect a variety of factors including, increased challenges raising venture capital and scrutiny over budget spends. We are regularly adjusting resourcing and project timelines to the needs of clients to assist them in managing these and other challenges. We anticipate business conditions will remain fluid, contributing to difficulty forecasting the outlook period.

Hydrix Medical continued to build market awareness for disruptive cardiovascular technologies and developed a healthy pipeline (~\$2.5m) for the **Implicit** cloud-based cardiac patient remote monitoring software platform.

As is usual for cardiac technology products, purchase cycles are subject to capital and operating budget expenditure approval processes and government reimbursement schemes. At present, there are numerous national and state-based Department of Health spending reviews and decisions pending regarding reimbursement of cardiac device sales and remote cardiac patient monitoring. The outcomes of these policy deliberations may become clearer in the second half of the year, however, they have given rise to ongoing delays in purchase decisions at private and public health cardiac clients.

As a consequence of the prevailing market conditions and extended sales lead times, management took significant cost reduction actions during the quarter to lower operating costs until opportunities come closer to materialising.

Hydrix Executive Chairman Gavin Coote commented:

"The investment into expanding international sales during the past two years has significantly grown sales opportunities, however, projects are taking somewhat longer than anticipated to win and commence."

"The March quarter revenue decline largely reflects client project delays due to difficult venture capital raising and budget approval conditions needed to fund new medical device development."

"We have a couple of large international client projects and a good number of medium size projects at various stages which have the potential to underpin revenues for the next 12-to-24 months."

"Management is proactively managing costs in light of the fluid revenue outlook, while ensuring the highly specialised engineering and project delivery teams are available to accommodate projects as and when clients secure their funding and approve budgets."

"The Board and management continue to actively explore sources of funding to support the business working capital requirements, including by seeking to accelerate Venture asset liquidity events and evaluating other strategic initiatives."

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 aims to enhance a billion lives' health, safety, and well-being. 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.

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")

31 March 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,071	9,167
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(211)	(868)
	(c) advertising and marketing	(39)	(242)
	(d) leased assets	(205)	(727)
	(e) staff costs	(2,192)	(8,052)
	(f) administration and corporate costs	(435)	(1,764)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	14
1.5	Interest and other costs of finance paid	(33)	(187)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,042)	(2,659)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(15)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
2.6	Net cash from / (used in) investing activities	-	(15)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	1,560
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	850	1,450
3.6	Repayment of borrowings	(305)	(1,113)
3.7	Transaction costs related to loans and borrowings	-	(30)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	545	1,867
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	843	1,153
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,042)	(2,659)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	545	1,867
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	346	346
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	346	843
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	346	843
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		750
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 and payments of Director fees.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,310	4,160
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	301	301
7.4 Total financing facilities	4,611	4,461

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) \$250,000

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 ¹	\$ 250,000	10.0%	30/06/2024	Unsecured
E.L.G. Nominees Pty Ltd ^{1,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
John W King Nominees ^{2,5}	\$ 1,500,000	10.0%	14/11/2025	Unsecured
John W King Nominees	\$500,000	11.0%	31/12/2024	Unsecured
Invia Custodian Pty Limited ^{3,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
Invia Custodian Pty Limited	\$500,000	11.0%	31/12/2024	Unsecured
P K W Superannuation Pty Ltd ^{4,5}	\$ 100,000	10.0%	14/11/2025	Unsecured
Non-Related Parties Convertible Note	\$ 460,000	10.0%	11/10/2025	Unsecured
TradePlus247	\$ 1,500,000	12.90%	31/05/2024	Secured

¹ E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a former Non-Executive Director of Hydrix.

² John W King Nominees is a company associated with Julie King, a Non-Executive Director of the Company.

³ Invia Custodian Pty Limited is a company associated with Paul Lewis, a Non-Executive Director of the Company.

⁴ P K W Superannuation Pty Ltd is a company associated with Paul Wright, a Non-Executive Director of the Company.

⁵ These loans represent Convertible Notes held in Hydrix Limited.

⁶ Interest is charged at 8.6% + 30 day BBSW bid rate. Interest rate displayed shows rate as at 31 December 2023. Maximum facility available of \$1.5m. Balance is secured against Trade Debtors in the Hydrix Services business.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,042)
8.2	Cash and cash equivalents at quarter end (item 4.6)	346
8.3	Unused finance facilities available at quarter end (item 7.5)	250
8.4	Total available funding (item 8.2 + item 8.3)	596

8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.57
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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: The Company anticipates that its net operating cash flows will improve in due course. Existing contracts that will improve revenue are expected to progress to next stage during the June 2024 quarter. Overdue outstanding cash receipts from customers are also expected to be received in the June 2024 quarter. These will have a positive impact on net operating cash flows.

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: Management continues to drive sales and manage costs to improve operating profit and cash flows. The Group holds \$5.1m in Venture investments which the Group can seek to sell in due course to meet funding needs. The Company also has a track record of successful equity and debt capital raisings.

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. Client commitments to commence projects, ongoing cost management, seeking to sell Venture investments, seeking to raise additional funding and other strategic initiatives to support working capital requirements.

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: 18 April 2024

Authorised by the Board of Hydrix Limited

Notes

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