hydrix

ASX Announcement **16/10/2019**

30 September 2019 Quarterly Update and Appendix 4C[(1)]

1Q20 Highlights

- Operating revenues of $4.1m, representing a 51% increase on 1QFY19;
- Record quarter customer receipts of $5.24m;
- Announced agreement with Pure Asset Management for a $5.0m debt facility;
- Secured exclusive distribution rights for Asia region for AngelMed's world first, FDA approved implantable heart attack alert system.

Hydrix Limited ('**Hydrix'** or 'the **Company'**) (ASX: **HYD**) today released its Appendix 4C quarterly cash flow report for the three-month period ended 30 September 2019 (**1Q20**).

Hydrix Chairman, Gavin Coote, said: "The Company is on track to achieve its three FY20 milestones - to achieve revenue growth in excess of 15%; to deliver a full year cash operating profit[(2)]; and to implement one 'Buy Build and Invest' strategy."

"Securing the Asian distribution rights for the AngelMed Guardian device was a significant milestone and endorsement for the Company; we anticipate it will represent an important driver of future growth. The focus is now on preparing for local regulatory approval across the region. We are working closely with several 'Key Opinion Leaders' in Cardiology in Australia and Singapore to investigate launching with initial 'sponsored' implants from early-mid CY2020."

On 16 September 2019, the Company announced it entered into an agreement with Pure Asset Management to recapitalise its balance sheet via a $5 million debt facility. The funds will be used to replace $3 million of shareholder loans expiring 31 December 2019, and to provide $2 million for working capital and strategic growth. In addition, the Company extended the maturity date of a $1.75 million shareholder loan from 31 December 2019 to 31 December 2020.

Also, for the quarter, the Company recorded a $0.2m cash operating loss[(2)] excluding transaction costs (approximately $0.19 million), which significantly, is a seven-fold improvement from the first quarter last year cash operating loss of $1.5 million.

Chief Executive Officer Peter Lewis commented, "I am pleased with the sustained growth in the Company's core design and engineering services which is translating into improving financial performance. The Company's strong focus on revenue growth has generated a pipeline of potential revenue from current projects in excess of $30m, of a total aggregate $50m+ revenue pipeline."

"With respect to AngelMed Guardian device distribution, we anticipate completing full regulatory body approval over the next 12-18 months paving the way to start commercial sales. We have also commenced discussions with potential distribution partners."

(1) All numbers are unaudited

(2) Cash operating profit (loss) is Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and Share-based payments for a full year and may vary on a quarterly basis

-ENDS

For more information, contact info@hydrix.com

About Hydrix Limited

*Hydrix (**ASX: HYD**) is a product design and engineering company, specializing in complex, regulated and safety-critical projects. We partner with clients to help design, develop and commercialize transformative technologies in medtech, consumer and industrial products and safety critical applications.*

Hydrix Limited
ACN 060 369 048

30-32 Compark Circuit
Mulgrave VIC 3170

T+ 61 3 9550 8100

W: www.hydrix.com
E: info@hydrix.com

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Hydrix Limited

ABN	**Quarter ended ("current quarter")**
84 060 369 048	30 September 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	5,240	5,240
1.2	Payments for		
	(a) research and development	(4)	(4)
	(b) product manufacturing and operating costs	(518)	(518)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(3,120)	(3,120)
	(f) administration and corporate costs	(1,094)	(1,094)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(26)	(26)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material) - Transaction costs	(191)	(191)
1.9	**Net cash from / (used in) operating activities**	**288**	**288**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(23)	(23)
	(b) businesses (see item 10)	-	-

	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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**	**(23)**	**(23)**
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	500	500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(28)	(28)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**472**	**472**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**	737	737
4.1	Cash and cash equivalents at beginning of quarter/year to date	235	235
4.2	Net cash from / (used in) operating activities (item 1.9 above)	288	288
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(23)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	472	472

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**972**	**972**

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	972	235
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)**	**972**	**235**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	94
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	3,750	3,750
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	1,000	1,000

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

In addition to the $0.97 million cash on hand as at 30 September 2019, the Company has secured a $5.00 million finance facility under a binding terms sheet executed with PURE Asset Management Pty Ltd. The funds drawn down under the facility will be used to refinance $3.00 million of existing shareholder loans (on equal or better terms) and provide growth capital.

The Company has the following facilities in place:

1. $1.00 million unsecured overdraft facility provided by a Director to meet short term working capital needs. Interest rate is 10% on funds borrowed.
2. Existing shareholder loan facilities in the aggregate of $3.75 million. As previously reported, there are two shareholder loan facilities:
   a) An unsecured $1.75 million loan facility provided by a major shareholder with a maturity date of 31 December 2020 and paying interest at 10% per annum; and
   b) A secured loan facility of $2.00 million provided to the Company by a separate shareholder. The loan is secured by the assets of the Hydrix Services subsidiary (ACN 621 448 299), and is guaranteed by Hydrix Limited. Of this facility, $1.00 million was used to fund the Company's acquisition of the business assets of Hydrix announced on 13 November 2017. The loan has a maturity date of 31 December 2019 and pays interest at 11% per annum.
3. In addition, under the Company's August 2018 Private Placement, shareholders are entitled to exercise an option to purchase shares at a strike price of $0.08 on the basis of one option for every two shares. If 100% of the options are exercised, a further 31.25 million shares would be issued, raising $2.5 million in capital for the Company.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(500)
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(3,375)
9.6	Administration and corporate costs	(1,250)
9.7	Other (provide details if material)	(150)
9.8	**Total estimated cash outflows**	**(5,275)**

The estimated cash outflows set out above combine both Hydrix Limited and its controlled entities, Hydrix Services Pty Ltd and Hydrix Ventures Pty Ltd.

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

Sign here: .... Date: 16 October 2019
(Director)

Print name: Gavin Coote

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.