

"Hydrix June Quarter Revenues Increase 55% from PCP"

30 June 2022 Quarter Activity Report & Appendix 4C

Group Financial Update (unaudited)

- 55% increase in group customer revenues for June quarter (\$2.7m) from PCP
- 39% increase in group customer revenues for FY22 (\$10.3m) from PCP
- Net cash used in operating activities for June quarter was \$1.19m down from \$2.04m in March 2022 quarter (refer 4C)
- Cash on hand at 30 June was \$1.94m

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C for the 30 June 2022 quarter and is pleased to provide a Business Update.

Hydrix is fast emerging as a diversified global medical technology company continuing to build on a rich 20-year product design & engineering track record. Hydrix's commercial business model includes providing fee-for-service product design & engineering and selectively making investments in some of its high potential medtech clients. More recently, Hydrix has also obtained exclusive rights to bring to market and distribute disruptive cardiovascular technologies that aim to solve unmet needs.

Group Financial Outlook

- Group revenue outlook for FY23 is strong, led by a Services forward order book of \$12m which is more than twice that for the same time last year, and expectations the Medical business will commence sales of The Guardian device in Australia and other regional markets.
- Group profitability outlook for FY23 is expected to improve led by Services +20% forward trend revenue growth, strengthening margins and higher billable resource utilisation; capital gains from Venture companies reaching important inflection points in CY2023; and Medical commencing sales of The Guardian.
- Group cash position could be further strengthened by the exercise of Hydrix listed Options as positive news flows from key milestone achievements pertaining to Guardian regulatory and implant outcomes, and an improving profitability outlook are reached.

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 via our Medical team in go-to-market activities to prepare The Guardian for market launch in our numerous geographies. We remain patient while the device progresses through the various regulatory approval bodies and are confident that positive news on numerous fronts remains imminent.

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.

Hydrix Services Highlights (Unaudited)

Hydrix Services had its strongest sales quarter for the year in the June quarter. The FY23 year starts out in a much stronger position than the same time last year and sets the business on a return to profitability.

- 40% YoY FY22 client revenue growth to \$10.3m (preliminary)
- +\$60m qualified sales pipeline of which the forward order book is approximately \$12 million, twice that at a similar time last year, at higher go-forward margins
- Sales momentum and improving margins are resulting from increased sales, marketing, and business development activities in the medtech sector in Australia and overseas. Sales growth is coming from new clients and existing clients that paused programs during COVID
- A significant contract win announced in May for a \$2.0m project to develop the external control device to support Scandinavian Realheart develop the world's first four chamber total artificial heart

Other order book contract wins include product development for a brain trauma injury monitoring device, nanoflow chromatography, cardiac pacemaker technology and further extensions to total artificial heart projects.

Hydrix Medical Highlights: AngelMed Guardian

Angel Medical Systems Inc. is achieving strong market sales of The Guardian heart attack alert device in the USA. These positive results are increasing our confidence the investment Hydrix is making towards commercialising the product in Asia Pacific target markets will become a key growth catalyst for the business.

Highlights from the June quarter include:

- A Melbourne-based private hospital gave approval for one of Australia's largest cardiology groups to enrol patients for the first Guardian implants in Australia; the cardiology group has commenced screening for suitable patients
- Regulatory approval received from the Malaysian Medical Device Agency and communication approval processes currently underway for Malaysian radio compliance. Discussions have commenced with parties to explore potential sub-distribution in Malaysia
- For New Zealand, the Guardian has been successfully listed on the Web Assisted Notification of Devices (WAND) Database allowing the device to be sold commercially. Recent changes by the New Zealand government have resulted in the creation of a new national health agency, Health New Zealand, which will run hospitals, primary and community health services. With these changes coming into effect 1 July 2022, we are undertaking further market analysis and research to update our go-to-market strategy
- We continue to wait determination outcomes for regulatory approvals by the Australian TGA and Singapore HSA after submitting applications in July 2021 and August 2021, respectively.

Hydrix Ventures Highlights:

Our Venture companies have made significant progress commercialising products, advancing product development, and raising step-up valuation rounds. These milestones suggest indicatively that the valuation outcomes over the next 12-to-24 months remain positive, with potential for Hydrix to achieve 5x to 10x returns our cost base. Briefly, the progress achieved includes:

- **Gyder Surgical:** The device, under development by Hydrix, is nearing final verification and validation stages of product development. We are working with Gyder in cadaver trials to further refine full clinical product use and to compile important product performance data which will be used for regulatory submissions to the FDA and TGA, which is expected to occur this calendar year. Hydrix & Gyder recently agreed to exercise an option and convert a \$0.25m note into equity taking Hydrix ownership to approximately 7.5%
- **Cyban:** Recently completed a \$5.25m capital raise valuing that company at \$16.25m, and valuing Hydrix investment at \$0.95 million (cash invested to date is \$0.5 million for approximately 6.0% ownership). Cyban and Hydrix are finalising product development plans to commence full development of the first commercial device which will start in 1QFY23
- **AngelMed USA:** commenced sales in the March 2022 quarter with sales on track to double in the June quarter and again for near-term quarters. Importantly, they are achieving very strong repeat purchases and implants among initial targeted allied health professionals.

-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 purpose is to improve a billion lives. The company leverages its powerful product innovation capability across multiple growth platforms. These platforms include **Hydrix Services** offers design and engineering expertise to help transform client ideas into commercial products; **Hydrix Ventures** invests in high potential early stage medtech clients; and **Hydrix Medical** sells and markets disruptive cardiovascular technologies that aim to solve unmet market needs and improve patient quality of life.

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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,124	9,774
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(785)	(2,179)
(c) advertising and marketing	(31)	(118)
(d) leased assets	-	-
(e) staff costs	(2,866)	(11,762)
(f) administration and corporate costs	(700)	(2,638)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(37)	(144)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	106	106
1.8 Other (provide details if material)	(1)	(198)
1.9 Net cash from / (used in) operating activities	(1,187)	(7,153)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(31)	(106)
(d) investments	-	(150)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	13
	(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	(31)	(243)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	630	2,828
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	49
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(118)	(231)
3.5	Proceeds from borrowings	-	219
3.6	Repayment of borrowings	(66)	(176)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	446	2,689

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,712	6,647
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,187)	(7,153)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(243)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	446	2,689
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	1,940	1,940

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	1,940	2,712
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)	1,940	2,712

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	256
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000															
7.1	Loan facilities	2,250	2,250															
7.2	Credit standby arrangements	-	-															
7.3	Other (please specify)	-	-															
7.4	Total financing facilities	2,250	2,250															
7.5	Unused financing facilities available at quarter end		-															
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																	
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Lender</th> <th style="width: 20%;">Loan Amount</th> <th style="width: 20%;">Interest rate (p.a)</th> <th style="width: 20%;">Maturity date</th> <th style="width: 10%;">Security</th> </tr> </thead> <tbody> <tr> <td>E.L.G. Nominees Pty Ltd*</td> <td>\$ 1,000,000</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">31/01/2023</td> <td>Unsecured</td> </tr> <tr> <td>John W King Nominees Pty Ltd**</td> <td>\$ 1,250,000</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">31/07/2023</td> <td>Unsecured</td> </tr> </tbody> </table> *E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company. **John W King Nominees Pty Ltd is a company associated with John King, a related party of the Company.			Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security	E.L.G. Nominees Pty Ltd*	\$ 1,000,000	6%	31/01/2023	Unsecured	John W King Nominees Pty Ltd**	\$ 1,250,000	6%	31/07/2023	Unsecured
Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security														
E.L.G. Nominees Pty Ltd*	\$ 1,000,000	6%	31/01/2023	Unsecured														
John W King Nominees Pty Ltd**	\$ 1,250,000	6%	31/07/2023	Unsecured														

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,187)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,940
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,940
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.63
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: The Company does not expect to have the current level of net operating cash flows. Net cash used in operating activities is anticipated to decline over future quarters as recent sales growth in client product development project revenues continues, and higher effective fee rates and billable utilisation improve profitability, and commercial sales of medical products commence.	
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. The Company has 18,908,132 listed \$0.12 HYDO options expiring 31 July 2022, and 28,280,000 listed \$0.18 HYDOA options expiring 31 March 2024, which if exercised will provide additional cash of \$7,359,376. The Company anticipates these options will be exercised as key milestones are achieved.	

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

Answer: Yes. Based on the improving outlook noted above, existing cash on hand, proceeds from the potential exercise of listed HYDO and HYDOA options, and access to capital markets, as and when required, to support the Company's operational requirements and strategic objectives.

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: 12 July 2022

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.