

**31 March 2020 Quarter Activity Report & Appendix 4C<sup>(1)</sup>**

**3Q20 Highlights:**

- Operating revenues grew 10.8% to \$3.82 million (vs 3Q19);
- Cash operating profit of \$0.04 million, up from a loss of \$0.5 million in 3Q19; and
- Entered into agreements to distribute the world first FDA approved implantable heart attack alerting device and to acquire a 4.6% investment in Angel Medical Systems, Inc. ('AngelMed').

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C for the three months ended 31 March 2020 (3Q20) and a business update for 3Q20 and to date.

**Financial Update <sup>(1)</sup>:**

Hydrix Executive Chairman, Gavin Coote, said: *"This represented a solid quarter amidst the COVID-19 pandemic, and it was particularly pleasing that the business achieved a small cash operating profit.<sup>(2)</sup> Despite the challenging operating environment, it is pleasing to see the importance of Hydrix Services to our clients, particularly those working to achieve critical milestones in the medical device and industrial technology sectors. This gives us heightened confidence about our long-term prospects."*

Hydrix Services achieved solid operating revenue of \$3.82m in the quarter, representing growth of 10.8% compared to 3Q19, as all design and engineering programs with active clients continued. The Company's focus remains on converting revenue pipeline with existing and prospective clients, although it is anticipated that the current quarter will also see some deferral of new business.

A strong pipeline of potential revenue from both contracted and prospective projects totals approximately \$50 million, including over \$20 million with existing clients. The Company anticipates solid revenue growth from Hydrix Services in the 2021 calendar year.

As at 31 March 2020, the Company had \$2.1M cash on hand. With a continued disciplined focus on costs and cash management, the nature of long term client contracts and a strong pipeline of new business, underpinned by receipt of some government wage subsidies, Hydrix believes it is well placed to withstand the challenging operating environment. The Company anticipates achieving cash operating break even during the next six months and remains optimistic about its long-term prospects.

The focus remains on executing the Company's long-term strategy to grow the Hydrix Services business, leverage its extensive IP and engineering expertise to grow its product revenue streams, and deliver capital growth from its strategic client investments by Hydrix Ventures.

The primary ongoing business activities in the first half were design, engineering and regulatory services provided to clients in the medical technology, mining, industrial and defence industry sectors. In addition to these business activities, the Company incurred costs of approximately \$0.18 million relating to its 'Buy, Build, Invest' growth strategy. These costs relate to the development of the cardiac products business, primarily for planning of regulatory approvals, field clinical engineering, and marketing in support of establishing distribution of the Angel Medical Inc., Guardian System product, and transaction-related costs.

**Hydrix Medical Update**

On 13 March 2020, Hydrix announced that it had been granted the exclusive rights by AngelMed to distribute its Guardian System, an implantable heart-attack warning device.

The distribution rights cover eight Asia Pacific countries in which over 700,000 people suffer an event (including silent heart attacks) related to Acute Coronary Syndrome each year. These patients, who could benefit from a Guardian implant, represent a large addressable market for the Guardian System, and a potentially significant market penetration opportunity for Hydrix. For context, a 1% market share in the eight Asia Pacific countries could translate into over \$50M in annual Guardian System sales revenue for Hydrix.

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Hydrix Medical's initial focus is to generate revenue from key Asian Pacific markets via early access regulatory schemes which allow for commercial implants of the AngelMed device.

The Company's first market entry will be Singapore, where early access scheme approval has been granted, and preparatory work has been completed. Hydrix Medical is ready to commence the first commercial implants in Singapore as soon as COVID-19 related restrictions are lifted.

Hydrix is also well progressed with early access scheme approvals planning in Australia and continues to consult with key stakeholders in this regard, representing the second target market.

## Payments to related parties of the Company and their associates

The aggregate amount of payments made during the quarter to related parties and their associates (referred to in item 6.1 of the accompanying Appendix 4C (quarterly cash flow report)) comprises:

- \$203,000 in loan interest payments made under the Company's loan agreements with related parties John W King Nominees Pty Ltd and E.L.G. Nominees Pty Ltd; and
- \$106,000 in services fees (at arm's length rates) paid to Directors in respect of executive advisory services.

(1) All numbers are unaudited

(2) Cash operating profit (or loss) is Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and Share-based payments for a full year, before costs associated with the Company's Buy, Build, Invest strategy which may vary on a quarterly basis. Impact from adoption of new lease accounting rules are ignored.

**-ENDS-**

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

*For more information, contact:*

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## About Hydrix Limited

*Hydrix (ASX: HYD) is a world class product design and engineering company, specializing in complex, regulated and safety-critical projects. We partner with clients to create market leading technologies in medtech, mining, industrial and safety critical applications.*

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## 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 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,502	13,004
1.2 Payments for		
(a) research and development	-	(4)
(b) product manufacturing and operating costs	(177)	(1,135)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,396)	(9,969)
(f) administration and corporate costs	(691)	(2,819)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(302)	(404)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (transaction costs)	(97)	(523)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,161)</b>	<b>(1,850)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(50)
(d) investments	(813)	(813)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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</b>	<b>Net cash from / (used in) investing activities</b>	<b>(822)</b>	<b>(863)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,568
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(30)	(220)
3.5	Proceeds from borrowings	1,000	5,500
3.6	Repayment of borrowings	-	(300)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>970</b>	<b>4,601</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,136	235
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,161)	(1,850)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(822)	(863)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	970	4,601
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,123</b>	<b>2,123</b>

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	2,123	3,136
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,123</b>	<b>3,136</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

309

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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

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**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	6,750	6,750
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	<b>6,750</b>	<b>6,750</b>

**7.5 Unused financing facilities available at quarter end**

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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*	\$1,000,000	6%	17/03/2022	Unsecured
John W King Nominees Pty Ltd**	\$1,750,000	6%***	31/12/2022	Unsecured
Pure Asset Management Pty Ltd ATF The Income and Growth Fund	\$4,000,000	10%	6/12/2023	Secured

\*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.  
\*\*\*The interest rate under John W King Nominees Pty Ltd's loan will be reduced from 10% to 6%, effective 1 July 2020.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,161)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,123
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,123
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1.83</b>

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

- 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: No. In late March 2020 (at the end of the quarter), the Company reduced its level of net operating cash outflows after taking decisive and pre-emptive action to manage business risks anticipated from the impact of COVID-19, including by reducing all non-essential expenditure, reducing labour costs (including by moving all staff to a 4-day work week). In addition, the Company has taken steps to access government stimulus programs over the next six months. The positive impact of these cash management strategies on the Company's cash flow is expected to be realised in the current and subsequent quarters.

- 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?

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Answer: Yes. As noted in item 7.6 above, the Company entered a loan agreement during the quarter with an entity associated with Non-Executive Director Joanne Bryant for a loan of \$1,000,000. In addition, the Company anticipates reaching a cash flow break even position in the next six months, based on the cost and cash management strategies referred to above.

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. The Directors will, if necessary, continue to seek additional capital as required through debt and equity raisings. Based on the Company's previous track record of raising capital, and its supportive shareholder base, the Board considers that it will be in a position to raise capital as and when required to continue funding the Company's operations and to meet its objectives.

### 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: 30 April 2020

Authorised by the Hydrix Limited Board of Directors.

### 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.