

Hydrix records strong first half revenue growth, Services business returns to profitability, and Ventures delivers valuation uplifts

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4D for the six months ended 31 December 2022 (1H22).

Group Financial Highlights for the First Half ending December (audit reviewed)

- **24% improvement** in customer revenues to **\$6.4m** (PCP \$5.1m)
- **116% improvement** in Services cash operating profit of **\$0.17m** (PCP loss \$1.06m)
- **65% improvement** in net cash used in operating activities of **\$1.21m** (PCP \$3.47m)

First Half Group Activity Highlights and Business Updates

Hydrix Ventures – major milestones being met, leading to valuation uplifts

- On 25 January 2023, **Angel Medical Systems** (AngelMed) signed an agreement with a third party that committed to Guaranteed Purchase Minimums of **US\$85.0 million over 5-years** for the rights to distribute the Guardian in the Middle East & North Africa (MENA), a market with 150 million people
- On 10 February 2023, **AngelMed closed an oversubscribed US\$7.8 million Series B** round priced at **US\$1.25** per share, as part of a US\$26.0 million cross-over round, triples size of the salesforce, expands leadership team and extends runway to continue exploring IPO opportunity. A gain on financial assets of **A\$0.37m** increases the book value from **A\$1.48m** at 31 December 2022 to approximately **A\$1.85m** at this report date
- **Gyder Surgical** 1st generation product development was completed, a Medical Device Single Audit Program review was completed as a precursor to making an application for inclusion onto the Australian Register of Therapeutic Goods, and a 510K application submitted to the US Food & Drug Administration (FDA). On the **24 February 2023**, **Hydrix received equity in lieu** of completing the product development milestone. The investment in Gyder increases by **\$0.33m**, including a gain on financial assets of **A\$0.12m**, and the book value from **A\$1.10m** at 31 December 2022 to approximately **A\$1.43m** at this report date. **Two further equity payment milestones** become due and payable when the product is accepted onto the Australian Register of Therapeutic Goods and the product is granted FDA approval
- Pending approvals, **Gyder Surgical** anticipates commencing commercial sales in the USA and Australia in CY2023. To commence pre-market launch, Gyder will be supported by Hydrix at the American Academy of Orthopaedic Surgeons (AAOS) Annual Meeting in Las Vegas in early March 2023; and

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- **Cyban** reported in February that one of its clinical trials **demonstrated a major breakthrough** in that its non-invasive brain monitor delivers equivalent results to invasive intracranial pressure (ICP) monitoring to offer simple and safe alternative in treating critical brain injuries. Hydrix continued development on Cyban's 1st generation product. Hydrix has an investment in Cyban with a book value of **\$0.95m**.

Hydrix Services – revenue growth & improving margins are leading to profitability

- **Expanded in the USA, a major potential growth market**, appointing a second team member (commenced on 9 January 2023). In terms of USA progress, we advanced a new USA medtech client to a second stage development contract in January with the potential to undertake further product development stages. This is exactly the target client we invested in the USA to win
- **Memphasys** (ASX: MEM) Felix System (developed by Hydrix) reported **positive results** from two peer reviewed globally significant journals that the system outperforms the density gradient centrifugation (DGL) method, the most globally common sperm separation method for IVF procedures. MEM and Hydrix were awarded several International Good Design Awards for the Felix System; and
- **ANSTO**, who Hydrix helped develop their **CORIS360** advanced radiation imaging product solution, was recently featured in global news after the device was used to successfully locate a radioactive capsule in outback Western Australia, another example where Hydrix powerful product innovation capability has helped transform scientific ideas into successful commercial products.

Hydrix Medical – focus on large markets and on expanding the product portfolio

- **Completed market launch of the Guardian in Singapore** at the European Society of Cardiology South-east Asia Conference driving broad market awareness and engagement with leading regional cardiologists. The Guardian is available to suitable ACS patients in Singapore after Hydrix was granted approval by Singapore's regulatory body to market and distribute The Guardian in August 2022
- **Advanced commercial discussions with a prospective sub-distributor** and documentation in readiness to commence distribution of the Guardian in Malaysia, after the Malaysian regulatory body approved the Guardian for distribution in June 2022
- **Engaged a Japanese Clinical Research Organisation** to develop a regulatory and reimbursement pathway to market and distribute the Guardian in Japan
- **Actively engaged in discussions with several emerging USA and European cardiovascular technology companies** to distribute their products in Australia and South-east Asia. Products being evaluated include medical software-as-a-service and other highly specialised products used, to monitor and diagnose cardiovascular diseases, and in surgical intervention procedures to help address heart failure.

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- **Withdrawal of Guardian application to the TGA.** On 27 February 2023, Hydrix advised that after application review by, and engagement with, the Australian Therapeutic Goods administration (TGA), in the Company's view, the best path forward to reach an approval with the TGA, is to withdraw the current application and resubmit at a later date as more patient data becomes available to assist the TGA with its determination. As a result of this decision, management deemed it prudent to make an adjustment retrospectively to the 31 December 2022 audited accounts to reduce the carrying value of the Australian distribution rights asset by 50% (down \$0.52m).

Hydrix Limited – capitalising on the significant opportunities created

- **The Company raised \$3.62m** via a 1-for-2 Entitlement Offer at 6 cents per share and Subscriptions for 12c Loyalty Options under a separate Entitlement Offer with the potential to raise a further **\$6.06m** in CY2023 (options expire 31/12/2023);
- **Pitt Street Research initiated coverage on Hydrix**, and several other investor relations interviews, presentations and podcasts were made and released to market
- **Launched the Hydrix Investor Hub**, an interactive platform to share Hydrix news and engage with investors. Sign-up [here](#)

CY2023 Group Priorities & Actions

- Scale-up Services business, grow year-on-year revenues **+20%** via increased international sales, marketing, and business development, and build on first half profitability by improving gross profits and billable utilisation to achieve full year profitability
- Continue market development of the Guardian in Singapore and Malaysia, and progress other large Asian markets, and procure distribution arrangements with third-party cardiovascular technology companies to expand Hydrix Medical revenues; and
- Support venture investee companies reach major milestones to increase valuations.

Hydrix Executive Chairman, Gavin Coote, commented:

“Momentum is building across the Group. Services is within reach of a return to full year profitability and as we have seen with major inflection points since the year end, there are very positive valuation signs within the Ventures portfolio.

“While the decision to withdraw and resubmit a TGA application for the Guardian in due course is disappointing today, we continue to be very focused on accelerating market development and regulatory applications in large markets outside Australia, including Japan, Malaysia, Singapore, and Hong Kong.

“We also look forward to updating investors regarding the status of efforts to procure and bring additional disruptive cardiovascular products to market.”

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-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'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.

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1 Company Information

Name of entity:	HYDRIX LIMITED
ABN:	84 060 369 048
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2 Results for announcement to the market

Revenues from ordinary activities ¹	up	24.2% to	\$ 6,422,211
¹ Revenues from ordinary activities excludes project revenue - other (refer to note 3)			
(Loss) from ordinary activities after tax attributable to the owners of Hydrix Limited	down	18.4% to	(1,963,037)
(Loss) for the half-year attributable to the owners of Hydrix Limited	down	18.3% to	(1,966,863)

Dividends

The consolidated entity does not propose to pay a dividend.

No dividend or distribution plans are in operation.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,966,863 (31 December 2021: \$2,406,651). The consolidated entity's results for the financial half-year reflect the ongoing investments in the medical product distribution business and venture investment portfolio.

3 Net tangible assets / (liabilities)

	Reporting period Cents	Previous period Cents
Net tangible assets / (liabilities) per ordinary security (including right-of-use assets)	<u>0.39</u>	<u>(0.81)</u>

4 Control gained over entities

On 14 July 2022 the company incorporated a subsidiary, Hydrix DE LLC.

5 Loss of control over entities

Not applicable.

6 Details of associates and joint venture entities

Not applicable.

7 Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been subject to a review by the auditors and the review report is included in the Interim Financial Report.

8 Attachments

Details of attachments (if any):

The Interim Report of Hydrix Limited for the half-year ended 31 December 2022 is attached.

9 Signed



Mr Gavin Coote
Executive Chairman
Melbourne

Date: 27 February 2023

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HYDRIX LIMITED
INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022
ABN: 84 060 369 048

Contents	Page
Corporate Directory	5
Directors' Report	6
Auditors' Independence Declaration	10
Consolidated Statement of Profit & Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes accompanying the Financial Statements	15
Directors' Declaration	28
Independent Auditor's Review Report	29

General information

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

30-32 Compark Circuit
Mulgrave VIC 3170

Principal place of business

30-32 Compark Circuit
Mulgrave VIC 3170

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2023. The directors have the power to amend and reissue the financial statements.

Directors

Mr Gavin Coote
(Executive Chairman)

Ms Julie King
(Non-Executive Director)

Ms Joanne Bryant
(Non-Executive Director)

Mr Paul Wright
(Non-Executive Director)

Mr Paul Lewis
(Non-Executive Director)

Company Secretary

Ms Alyn Tai

Registered Office

30-32 Compark Circuit
Mulgrave VIC 3170
Phone: (03) 9550 8100

Principal place of business

30-32 Compark Circuit
Mulgrave VIC 3170

Share register

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Solicitors

Holding Redlich
Level 8, 555 Bourke Street
Melbourne VIC 3000

Stock Exchange Listing

Hydrix Limited's shares are listed on the
Australian Securities Exchange (ASX code: HYD)

Website

www.hydrix.com

Country of incorporation and domicile

Australia

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Hydrix Limited
Directors' Report
For the half-year 31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hydrix Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were directors of Hydrix Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Gavin Coote

Executive Chairman

Ms Julie King

Non-Executive Director

Ms Joanne Bryant

Non-Executive Director

Mr Paul Wright

Non-Executive Director

Mr Paul Lewis

Non-Executive Director

Principal activities

The principal activities of the consolidated entity during the half-year were providing product design, engineering, and regulatory services to customers in the medical industry, market development of disruptive cardiovascular product technologies and venture investment in high potential early-stage medtech clients.

The consolidated entity operates three businesses:

Hydrix Services transforms client ideas into market leading products primarily under fee-for-services contracts. It offers a comprehensive range of engineering and regulatory services including software, electronics, mechanical, industrial design, and general product development services. Its product development and commercialisation services range from applied research through all stages of engineering design, development, prototyping, manufacturer management, certification process management and supply for global markets.

Hydrix Medical distributes cardiac monitoring and diagnostic medical device technologies including the AngelMed Guardian and also has rights to distribute the Phyzhon PHYRARI FFR-WIRE product. These products are pre commercial revenue and being distributed by Hydrix under exclusive distribution agreements. The Guardian jurisdictions include Australia, New Zealand, five S. E. Asia countries and Japan. The Phyzhon product jurisdictions are Australia and New Zealand.

The AngelMed Guardian continuously monitors a patient's heart signal 24/7 uniquely against the patient's own baseline heart signal. It is the world's only FDA-approved, implantable cardiac monitoring device and alerts patients of an impending Acute Coronary Syndrome (ACS) event, including against asymptomatic heart attacks.

Phyzhon's PHYRARI FFR-WIRE product is primarily for use by interventional cardiologists during percutaneous coronary intervention procedures to manage blocked coronary arteries, including patients who have suffered a heart attack.

Hydrix Ventures selectively invests in high potential Hydrix Services medtech clients to generate equity capital gains. Current portfolio companies include Gyder Surgical Pty Ltd (orthopaedic surgical tool for hip replacements), Angel Medical Systems Inc (implantable heart attack alert device), Memphasys Limited (Bio-separation device), and Cyban Pty Ltd (non-invasive brain trauma injury monitoring device).

The consolidated entity has approximately 70 employees and its headquarters are located in Mulgrave, Victoria Australia.

Hydrix Limited
Directors' Report
For the half-year 31 December 2022

Review of operations

The primary revenue of the consolidated entity is derived from Hydrix Services which achieved 24% year-on-year revenue growth from external customers for the first half ending 31 December 2022. This growth is primarily attributable to an improving fee-rate structure and increased billable utilisation. A significant and increasing amount of revenue was derived from outside Australia, with the consolidated entity well-placed to continue this global sales growth having appointed a second business development resource in the USA during January 2023.

Hydrix Medical received approval to market and distribute The Guardian in Singapore from the Health Sciences Authority (HSA) in August 2022. The Guardian was launched at the European Society of Cardiology South-East Asia Conference held in Singapore in December 2022 to drive awareness with private-pay patients.

The Ministry of Health (MOH) granted approval to market and distribute The Guardian in Malaysia in June 2022. Commercial discussions with a prospective Malaysia-based sub-distributor are well advanced.

Hydrix Medical is in discussions with several emerging USA and European cardiovascular technology companies to distribute their products in Australia and South-East Asia. Future product revenues selling cardiac technologies has the potential to be a major growth catalyst for the consolidated entity.

Hydrix Ventures' investment companies are progressing towards significant valuation inflection milestones as they complete product development, clinical studies, and commence product sales. Investing in high potential early stage medtech clients provides for Hydrix to capture more of the value it helps create for clients and promotes positive alignment towards successful commercialisation of products.

Review of financials

Excluding project revenue - other (refer to note 3), Hydrix Services made sales to external customers of \$6,400,527 for the first half ending 31 December 2022, increasing by 24% over the prior year period (December 2021: \$5,148,361).

The operating loss before income tax for the consolidated entity improved year-on-year for the period, with losses decreasing by 18% to \$1,963,037 (December 2021: \$2,404,457).

As noted in the financial accounts, management is required to assess the carrying value of intangible assets. The business took into consideration various factors including the possibility that the TGA will not accept the current regulatory application to market and distribute The Guardian in Australia. The business continues to engage with the TGA to evaluate alternate pathways and options available to seek TGA approval. In the interim, management deemed it prudent to recognise an impairment risk and moved to write down the carrying value of the Australian Distribution Rights by 50% or by \$522,939. The prospects of obtaining regulatory approvals and distributing the Guardian device in the seven other jurisdictions under exclusive rights remain positive and are not directly impacted by a TGA position.

Cash used in operating activities during the period to support the growth and expansion of the consolidated entity was \$1,208,930 (December 2021: \$3,474,012).

The consolidated entity raised \$3,366,483 through an entitlement offer issuing 56,106,817 shares of new common stock priced at \$0.06 per share. A further \$252,329 was raised through subscription funds for 50,465,823 HYDOB Loyalty Options at \$0.005 per option. All HYDOB options have an exercise price of \$0.12 and an expiration date of 31 December 2023. Should HYDOB option holders exercise their options on or before 30 April 2023, for every two options exercised, the option holder will be granted a \$0.28 piggyback option expiring 30 April 2025.

The consolidated entity's cash position was \$3,193,437 at 31 December 2022, compared to \$1,940,411 at 30 June 2022. The main uses of cash were to support the principal activities of the business, and strategic growth initiatives.

Outlook for full financial year 2023

The business prospects for the consolidated entity remain strong taking into consideration several factors, including:

- underlying positive revenue trend growth of the Services business, a strong order book and sales pipeline, improving operating margins and increasing billable resource utilisation with full year profitability within reach after that business made a profit in the period;
- future product revenue and gross profit margins from Hydrix Medical distribution of cardiovascular products with potential to commence sales during calendar year 2023 where regulatory approvals have been granted; and
- potential for future Venture capital gains on investments in high potential medtech clients.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the half-year

Hydrix Ventures

On 25 January 2023, AngelMed signed an agreement with a third party that has committed to Guaranteed Purchase Minimums of US\$85.0 million over 5-years for the rights to distribute the Guardian in the Middle East & North Africa (MENA), a market with 150 million people.

On 10 February 2023, AngelMed closed an oversubscribed US\$7.8 million Series B round priced at US\$1.25 per share. This capital raise was part of US\$26.0 million cross-over round to fund the appointment of a new C-Suite leadership, more than triple the size of the sales team and to extend the runway to continue exploring IPO opportunities. As a result of the Series B transaction, the consolidated entity recognised a gain on financial assets of A\$369,004 to increase the carrying book value from A\$1,476,055 at 31 December 2022 to approximately A\$1,845,059 at the date of this report.

On 24 February 2023, the consolidated entity recognised a gain on financial assets of \$117,153 after being issued an additional 5,930 shares in Gyder Surgical Pty Ltd for successfully completing the development of the GYDER product and acceptance of the submission of a 510K Premarket Approval application to the US Food & Drug Administration (FDA). Two further milestone payments become due and payable as and when the product is accepted onto the Australian Register of Therapeutic Goods, and separately, as and when the product is granted FDA approval.

Hydrix Medical

On 15 February 2023, the consolidated entity announced that the Australian Therapeutic Goods Administration (TGA) advised the consolidated entity that it will not accept its current regulatory application to market and distribute Angel Medical Systems Guardian in Australia. On 27 February 2023, the consolidated entity advised the TGA we will withdraw our application, and made an ASX announcement confirming that decision.

Hydrix Limited

On 21 February 2023, the maturity date of the \$1,000,000 unsecured shareholder loan facility provided by the major shareholder was extended to 31 July 2024 and the interest rate adjusted from 6.00% to 8.00% p.a. effective from 1 October 2022.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Hydrix Limited
Directors' Report
For the half-year 31 December 2022

Rounding of amounts

The company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Mr Gavin Coote

Executive Chairman

27 February 2023

Melbourne

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Hydrix Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Hydrix Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 27 February 2023

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Hydrix Limited
Consolidated Statement of Profit & Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

	Note	Consolidated	
		31 Dec 2022	31 Dec 2021
		\$	\$
Revenue			
Revenue	3	7,215,604	5,163,152
Interest revenue		19,087	6,617
		7,234,691	5,169,769
Operating expenses			
Employee benefits expense		(5,273,966)	(5,323,829)
Project material expenses		(680,482)	(883,948)
Cost of sales		(19,667)	(7,137)
Depreciation and amortisation expense		(680,267)	(451,593)
Finance costs	4	(224,086)	(241,335)
Rental expense / (benefit)		(76,924)	113,055
Selling, advertising and distribution expenses		(123,515)	(79,566)
Research and development expenses		(18,896)	(21,250)
Other expenses	4	(1,424,791)	(1,245,664)
Share based payment expenses	16	(132,949)	(47,820)
Impairment of distribution rights	6	(522,939)	-
Impairment / (reversal) of receivables		(20,492)	59,919
Gain on financial instruments at fair value through profit or loss	4	25,672	722,613
Gain/(Loss) on contingent consideration liability		-	(125,440)
Unrealised foreign exchange loss		(24,426)	(42,231)
		(9,197,728)	(7,574,226)
Loss before income tax expense		(1,963,037)	(2,404,457)
Income tax expense		-	-
Loss after income tax expense		(1,963,037)	(2,404,457)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Movement in functional currency of foreign operations		(3,826)	(2,194)
Total comprehensive loss for year attributable to the Owners of Hydrix Limited		(1,966,863)	(2,406,651)
Loss per share			
Basic and diluted earnings / (loss) per share (cents per share)	15	Cents (0.95)	Cents (1.47)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Financial Position
As at 31 December 2022

	Note	Consolidated	
		31 Dec 2022 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents		3,193,437	1,940,411
Trade and other receivables	5	1,578,332	2,014,785
Contract assets		842,067	851,801
Prepayments		406,657	239,076
Inventory		27,381	11,635
Total current assets		6,047,874	5,057,708
Non-current assets			
Financial assets at fair value through profit & loss	8	3,828,541	3,839,463
Plant and equipment		344,313	370,314
Right of use assets	12	1,384,375	1,615,103
Intangible assets	6	3,718,250	4,559,719
Other assets		74,049	72,227
Security deposits		424,980	424,980
Total non-current assets		9,774,508	10,881,806
Total Assets		15,822,382	15,939,514
Current liabilities			
Trade and other payables		1,477,715	1,424,463
Contract liabilities	7	568,840	1,513,453
Borrowings	10	2,176,016	1,043,768
Derivative liabilities	11	29,269	108,595
Employee benefits		788,702	974,999
Lease liabilities	12	799,870	747,796
Other liabilities	9	2,952,030	2,903,179
Total current liabilities		8,792,442	8,716,253
Non-current liabilities			
Borrowings	10	-	1,250,000
Employee benefits		193,258	160,668
Lease liabilities	12	1,952,914	2,362,381
Provisions		177,453	173,760
Total non-current liabilities		2,323,625	3,946,809
Total Liabilities		11,116,067	12,663,062
Net Assets		4,706,315	3,276,452
Equity			
Issued capital	13	102,174,475	98,822,417
Reserves	14	1,431,891	1,430,847
Accumulated losses		(98,900,051)	(96,976,812)
Total Equity		4,706,315	3,276,452

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021	95,402,178	1,772,905	(91,465,430)	5,709,653
Loss after income tax expense for the half-year	-	-	(2,404,457)	(2,404,457)
Other comprehensive income, net of tax	-	(2,194)	-	(2,194)
Total comprehensive loss for the half-year	-	(2,194)	(2,404,457)	(2,406,651)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments expense	-	47,820	-	47,820
Exercised options / performance rights	178,949	(176,019)	-	2,930
Expired options / performance rights	-	(22,526)	22,526	-
Contributions of equity, net of transaction costs	182,341	-	-	182,341
Balance at 31 December 2021	95,763,468	1,619,986	(93,847,361)	3,536,093

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2022	98,822,417	1,430,847	(96,976,812)	3,276,452
Loss after income tax expense for the half-year	-	-	(1,963,037)	(1,963,037)
Other comprehensive income, net of tax	-	(3,826)	-	(3,826)
Total comprehensive loss for the half-year	-	(3,826)	(1,963,037)	(1,966,863)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments expense	-	132,949	-	132,949
Exercised options / performance rights	88,281	(88,281)	-	-
Expired options / performance rights	-	(39,798)	39,798	-
Contributions of equity, net of transaction costs	3,263,777	-	-	3,263,777
Balance at 31 December 2022	102,174,475	1,431,891	(98,900,051)	4,706,315

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Cash Flows from operating activities			
Receipts from customers (including GST)		7,290,148	4,941,727
Payments to suppliers and employees (including GST)		(8,499,078)	(8,415,739)
Net cash flow used in operating activities		<u>(1,208,930)</u>	<u>(3,474,012)</u>
Cash Flows from investing activities			
Payments for plant and equipment		(38,265)	(34,969)
Payments for intangible assets		(66,743)	(40,767)
Payments for financial assets		(10,000)	(150,150)
Net cash flow used in investing activities		<u>(115,008)</u>	<u>(225,886)</u>
Cash Flows from financing activities			
Proceeds from issue of shares		3,369,679	42,142
Share issue transaction costs		(355,902)	(6,871)
Proceeds from borrowings		220,020	219,088
Repayments of borrowings		(87,772)	(44,018)
Interest received		10,780	3,180
Interest and other finance costs paid		(222,456)	(240,965)
Repayments of lease liabilities		(357,394)	(185,993)
Net cash flow (used in) / from financing activities		<u>2,576,955</u>	<u>(213,437)</u>
Net increase/(decrease) in cash and cash equivalents		1,253,017	(3,913,335)
Cash and cash equivalents at the beginning of the financial half-year		1,940,411	6,647,225
Effects of exchange rate changes on cash and cash equivalents		9	29
Cash and cash equivalents at end of the financial half-year		<u><u>3,193,437</u></u>	<u><u>2,733,919</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and derivatives.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the half year period ended 31 December 2022, the consolidated entity incurred a net loss before tax of \$1,963,037, reported cash used in operations of \$1,208,930 and had a net current assets deficit (current assets less current liabilities) of \$2,744,568.

The above factors create business uncertainty which may cast doubt over the business continuing as a going concern and whether the consolidated entity will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Despite these business uncertainties, the directors are of the opinion the consolidated entity will continue as a going concern, taking into consideration various factors including:

- The consolidated entity had an available cash balance of \$3,193,437 at 31 December 2022;
- Subsequent to balance date, the consolidated entity extended the repayment date of a \$1,000,000 loan provided by a major shareholder to 31 July 2024;
- Underlying positive revenue trend growth, improving operating margins and increasing billable resource utilisation all contributing to return the Hydrix Services business to profitability;
- A full business profit and loss, balance sheet and cash flow forecast for the 12-month period from the date of signing of the financial statements, which supports the directors' assertion, has been prepared based on assumptions about certain economic, operating and trading performance achievement contingent on future events and actions yet to occur, and which may not necessarily occur. The underlying year to date revenue growth in the services business is leading to an improving operating position, and should a need arise, there are discretionary operating costs of the business that could be reduced. Whilst the directors believe the assumptions are best estimate assumptions based upon information available, the occurrence and timing of future events are not certain. The directors will continually monitor the operating performance against the budget and cash flow forecast;
- The directors believe the consolidated entity would be able to raise additional capital if required to support strategic growth initiatives and working capital; and
- The consolidated entity, at 31 December 2022, had 50,465,823 listed \$0.12 cents HYDOB options expiring 31 December 2023 which if exercised, will provide additional cash of \$6,055,899.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial statements do not include any adjustments relating to amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

1 Significant accounting policies (continued)

Critical Accounting Estimates, Assumptions and Judgements

(i) Impairment of non-financial assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated group and to the particular asset that may lead to impairment. If an impairment indicator exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Furthermore, significant management judgement and estimate is involved in assessing the impairment of the distribution rights, taking into account the status of each regulatory application and the likelihood of successfully receiving regulatory approvals across each region under the distribution agreement.

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2 Operating Segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on the internal reports that are reviewed and used by the Board of Directors [who are identified as the Chief Operating Decision Makers ('CODM')] in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM, who are responsible for the allocation of resources to operating segments and assessing their performance.

The consolidated entity's operations are in four geographical locations, being Australia, Singapore, New Zealand, and the USA.

Operating Segment Information

Consolidated - 31 Dec 2022	Hydrix Services \$	Hydrix Medical \$	Total Operations \$
Revenue			
Sales to external customers	7,213,007	1,071	7,214,078
Other revenue	1,333	193	1,526
Total Segment revenue	7,214,340	1,264	7,215,604
<i>Unallocated revenue:</i>			
Interest revenue	-	-	19,087
Total Segment Revenue	7,214,340	1,264	7,234,691
EBITDA	1,238,924	(778,152)	460,772
<i>Unallocated EBITDA</i>			(844,322)
Total EBITDA			(383,550)
Finance costs	(153,415)	-	(153,415)
Depreciation and amortisation	(354,693)	(325,461)	(680,154)
Impairment of distribution rights	-	(522,939)	(522,939)
Impairment/Write-back of receivables	(20,492)	-	(20,492)
Share based payment expenses	(8,742)	(560)	(9,302)
Unrealised foreign exchange loss	-	(48,851)	(48,851)
<i>Unallocated expenses:</i>			
Finance costs	-	-	(70,671)
Depreciation and amortisation	-	-	(113)
Share based payment expenses	-	-	(123,647)
Gain on financial instruments at fair value through profit or loss	-	-	25,672
Unrealised foreign exchange gain	-	-	24,425
Profit/(Loss) before income tax expense	701,582	(1,675,963)	(1,963,037)
Income tax expense	-	-	-
Profit/(Loss) after income tax expense	701,582	(1,675,963)	(1,963,037)
Assets			
Segment assets	4,948,943	3,290,928	8,239,871
<i>Unallocated assets:</i>			
Cash and cash equivalents	-	-	3,193,437
Intangible assets	-	-	525,000
Hydrix Ventures financial assets	-	-	3,828,541
Other assets	-	-	35,533
Total assets	4,948,943	3,290,928	15,822,382
Liabilities			
Segment liabilities	5,683,587	3,090,157	8,773,744
<i>Unallocated liabilities:</i>			
Borrowings	-	-	2,000,000
Other liabilities	-	-	342,323
Total liabilities	5,683,587	3,090,157	11,116,067

Hydrix Limited
Notes accompanying the financial statements
For the half-year ended 31 December 2022

2 Operating Segments (continued)

Consolidated - 31 Dec 2021	Hydrix Services \$	Hydrix Medical \$	Total Operations \$
Revenue			
Sales to external customers	5,148,361	1,412	5,149,773
Other revenue	13,379	-	13,379
Total Segment revenue	<u>5,161,740</u>	<u>1,412</u>	<u>5,163,152</u>
<i>Unallocated revenue:</i>			
Interest revenue	-	-	6,617
Total Segment Revenue	<u>5,161,740</u>	<u>1,412</u>	<u>5,169,769</u>
EBITDA	<u>(636,080)</u>	<u>(679,277)</u>	<u>(1,315,357)</u>
<i>Unallocated EBITDA</i>			(963,213)
Total EBITDA			(2,278,570)
Finance costs	(173,280)	-	(173,280)
Depreciation and amortisation	(334,596)	(116,809)	(451,405)
Impairment/Write-back of receivables	59,919	-	59,919
Loss on contingent consideration liability	-	(125,440)	(125,440)
Unrealised foreign exchange loss	-	(90,259)	(90,259)
<i>Unallocated expenses:</i>			
Finance costs	-	-	(68,055)
Depreciation and amortisation	-	-	(188)
Share based payment expenses	-	-	(47,820)
Gain on financial instruments at fair value through profit or loss	-	-	722,613
Unrealised foreign exchange gain	-	-	48,028
Loss before income tax expense	<u>(1,084,037)</u>	<u>(1,011,785)</u>	<u>(2,404,457)</u>
Income tax expense	-	-	-
Loss after income tax expense	<u>(1,084,037)</u>	<u>(1,011,785)</u>	<u>(2,404,457)</u>
Assets			
Segment assets	<u>5,046,359</u>	<u>4,465,979</u>	<u>9,512,338</u>
<i>Unallocated assets:</i>			
Cash and cash equivalents	-	-	2,733,920
Intangible assets	-	-	525,000
Hydrix Ventures financial assets	-	-	3,570,089
Other assets	-	-	22,401
Total assets	<u>5,046,359</u>	<u>4,465,979</u>	<u>16,363,748</u>
Liabilities			
Segment liabilities	<u>7,000,620</u>	<u>2,844,996</u>	<u>9,845,616</u>
<i>Unallocated liabilities:</i>			
Borrowings	-	-	2,250,000
Other liabilities	-	-	732,039
Total liabilities	<u>7,000,620</u>	<u>2,844,996</u>	<u>12,827,655</u>

3 Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Revenue from contracts with customers		
Project revenue – services	5,971,233	4,543,884
Project revenue – materials	429,294	604,477
Project revenue – other	812,480	-
Project revenues	<u>7,213,007</u>	<u>5,148,361</u>
Sales of AngelMed Guardian Consumables	1,071	1,412
	<u>1,071</u>	<u>1,412</u>
Other revenue	1,526	13,379
	<u>1,526</u>	<u>13,379</u>
Total revenue from continuing operations	<u><u>7,215,604</u></u>	<u><u>5,163,152</u></u>

4 Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest expense on lease liabilities	142,550	174,820
Interest on loans	81,536	66,515
Total finance costs	<u>224,086</u>	<u>241,335</u>
Gain/(Loss) on financial instruments at fair value through profit or loss		
Gain on derivatives	79,326	282,241
Gain/(Loss) on financial assets	(53,654)	440,372
	<u>25,672</u>	<u>722,613</u>
Other expenses		
Consultancy charges	125,447	130,290
Corporate advisory transaction costs	499	267,511
Directors' fees	147,540	120,000
Insurance	106,334	82,500
Investor relations	82,559	46,853
IT related expenses	187,331	199,763
Legal and professional charges	159,729	186,610
Listing fees and share register maintenance	65,114	50,870
Recruitment fees	260,029	16,853
Regulatory Fees	54,714	55,963
Travelling costs	117,236	4,337
Administration expenses	118,259	84,114
Total other expenses	<u>1,424,791</u>	<u>1,245,664</u>

5 Trade and other receivables

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Current		
Trade receivables	1,606,302	2,022,299
Less: Allowance for expected credit losses	(67,265)	(46,773)
	<u>1,539,037</u>	<u>1,975,526</u>
GST receivable	39,220	39,259
Other receivables	75	-
	<u>1,578,332</u>	<u>2,014,785</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$20,492 in profit or loss in respect of the expected credit losses for the period ended 31 December 2022 (31 December 2021: profit of \$59,919).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit	Carrying	Allowance for
	loss rate	amount	expected credit
	31 Dec 2022	31 Dec 2022	31 Dec 2022
	%	\$	\$
Consolidated			
Not overdue	0.4%	618,866	2,653
0 to 3 months overdue	0.7%	669,836	4,830
3 to 6 months overdue	9.1%	283,600	25,782
Over 6 months overdue	100.0%	34,000	34,000
		<u>1,606,302</u>	<u>67,265</u>

6 Intangible assets

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Brand Name	525,000	525,000
Less: Impairment	-	-
	<u>525,000</u>	<u>525,000</u>
Distribution Rights	4,459,426	4,459,426
Less: Accumulated amortisation	(743,237)	(424,707)
Less: Impairment	(522,939)	-
	<u>3,193,250</u>	<u>4,034,719</u>
Software - CHEF Framework	3,001,088	2,934,346
Less: Accumulated amortisation	(3,001,088)	(2,934,346)
	<u>-</u>	<u>-</u>
	<u>3,718,250</u>	<u>4,559,719</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Brand Name	Distribution	Software -	Total
	\$	Rights	CHEF	\$
	\$	\$	\$	\$
Balance as at 1 Jul 2022	525,000	4,034,719	-	4,559,719
Additions	-	-	66,742	66,742
Impairment expense	-	(522,939)	-	(522,939)
Amortisation expense	-	(318,530)	(66,742)	(385,272)
	<u>525,000</u>	<u>3,193,250</u>	<u>-</u>	<u>3,718,250</u>

7 Contract liabilities

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Current	<u>568,840</u>	<u>1,513,453</u>

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$568,840 as at 31 December 2022 (\$1,513,453 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	31 Dec 2022	30 June 2022
	\$	\$
Consolidated		
Within 6 months	559,320	725,017
6 to 12 months	-	296,027
12 to 18 months	-	492,409
18 to 24 months	9,520	-
	<u>568,840</u>	<u>1,513,453</u>

8 Financial assets at fair value through profit & loss

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Listed ordinary shares	14,425	20,751
Unlisted ordinary shares	3,525,151	3,500,726
Unlisted options	734	16,165
Convertible Note	288,231	301,821
	<u>3,828,541</u>	<u>3,839,463</u>

Reconciliations

Reconciliations of the fair values at the beginning and end of the current financial year are set out below:

	Unlisted ordinary shares	Unlisted options	Listed ordinary shares	Convertible Note	Total
	\$	\$	\$	\$	\$
Opening fair value as at 1 July 2022	3,500,726	16,165	20,751	301,821	3,839,463
Additions (i) (ii)	-	-	10,000	8,307	18,307
Fair value decrements	-	(15,431)	(16,326)	(21,897)	(53,654)
Fair value increments due to FX	24,425	-	-	-	24,425
Closing fair value as at 31 December 2022	<u>3,525,151</u>	<u>734</u>	<u>14,425</u>	<u>288,231</u>	<u>3,828,541</u>

(i) During September 2022 the consolidated entity acquired 499,999 shares in Memphasys Limited (ASX: MEM) for \$10,000.

(ii) During the half-year the consolidated entity recognised interest on the Convertible Note of \$8,307.

9 Other liabilities

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Current		
Contingent consideration liability	2,952,030	2,903,179
	<u>2,952,030</u>	<u>2,903,179</u>

Contingent consideration liability

The contingent consideration for the Asia Pacific distribution rights of the AngelMed Guardian System is payable in three tranches upon receipt of FDA and other applicable regulatory approvals of AngelMed's next generation product.

10 Borrowings

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Current		
Shareholder loans - Unsecured	2,000,000	1,000,000
Insurance Premium Funding	176,016	43,768
	<u>2,176,016</u>	<u>1,043,768</u>
Non-Current		
Shareholder loans - Unsecured	-	1,250,000
	<u>-</u>	<u>1,250,000</u>

Total secured liabilities including assets pledged as security

An unsecured loan facility of \$1,000,000 with a 6% p.a. interest rate has been provided by a major shareholder. The loan was previously repayable on 31 July 2023 or such later date as agreed by the parties.

Subsequent to the end of the half-year the interest rate on the \$1,000,000 loan provided by a major shareholder was increased to 8%, and the repayment date was extended to 31 July 2024.

A separate unsecured loan facility of \$1,000,000 with a 8% p.a. interest rate has been provided by a shareholder. This loan is repayable as follows:

- \$250,000 is repayable on 31 January 2023;
- \$150,000 is repayable on 31 July 2023;
- \$150,000 is repayable on 31 August 2023;
- \$150,000 is repayable on 30 September 2023;
- \$150,000 is repayable on 31 October 2023; and
- \$150,000 is repayable on 30 November 2023;

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Total facilities		
Shareholder loans	2,000,000	2,250,000
	<u>2,000,000</u>	<u>2,250,000</u>
Used at the reporting date		
Shareholder loans	2,000,000	2,250,000
	<u>2,000,000</u>	<u>2,250,000</u>
Unused at the reporting date		
Shareholder loans	-	-
	<u>-</u>	<u>-</u>

11 Derivative liability

In December 2019, 8,000,000 warrant shares were issued to Pure Asset Management as interest consideration on the borrowings. The warrants have an exercise price of \$0.10 and expiry date of 17 December 2023.

The fair value of the embedded derivative liability was determined using the Black-Scholes model using the following inputs as at 31 December 2022:

	Consolidated	
	31 Dec 2022	30 June 2022
Share price at measurement date	\$0.051	\$0.074
Expected volatility	68.52%	61.70%
Dividend yield	0.00%	0.00%
Risk-free interest rate	2.19%	0.70%
Carrying amount of liability	<u>\$29,269</u>	<u>\$108,595</u>

12 Leasing

The consolidated entity leases an office building. The lease liability is secured by the related underlying right-of-use asset. The maturity analysis at 31 December 2022 was as follows:

	Maturity analysis			Total
	Within one year	One to five years	After five years	
	\$	\$	\$	\$
31 December 2022				
Lease payments	<u>996,586</u>	<u>2,089,325</u>	<u>-</u>	<u>3,085,911</u>

Lease payments not recognised as a liability

The consolidated entity has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Lease liabilities		
Current	799,870	747,796
Non-current	1,952,914	2,362,381
	<u>2,752,784</u>	<u>3,110,177</u>

Subsequent to the end of the half-year the consolidated entity sublet excess floor space at the office building to a third party.

Set out below are the carrying amounts of the consolidated entity's right-of-use assets:

	Property
	\$
Right-of-use assets	2,999,477
Amortisation	(1,615,102)
	<u>1,384,375</u>

13 Issued capital

	Consolidated			
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	254,218,847	197,636,060	102,174,475	98,822,417
<i>Movements in ordinary share capital</i>				
	Date	Shares	Issue price	\$
Balance	1-Jul-22	197,636,060		98,822,417
Issue of shares under option	12-Jul-22	56	\$0.120	7
Issue of shares under option	20-Jul-22	2,914	\$0.120	350
Issue of shares under option	29-Jul-22	4,250	\$0.120	510
Issue of shares under entitlement offer	23-Sep-22	32,851,453	\$0.060	1,971,107
Issue of shares to KMP	29-Sep-22	218,750	\$0.255	55,781
Issue of shares to KMP	30-Sep-22	250,000	\$0.130	32,500
Issue of shares under entitlement offer	20-Oct-22	21,547,030	\$0.060	1,292,876
Issue of shares under entitlement offer	7-Dec-22	1,708,334	\$0.060	102,500
HYDOB subscription funds, net of transaction costs	7-Dec-22	-	\$0.005	131,095
Share issue transaction costs				(234,668)
Balance	31-Dec-22	254,218,847		102,174,475

14 Equity - reserves

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Share based payments reserve	616,970	612,100
Contingent consideration equity reserve	825,000	825,000
Foreign currency translation reserve	(10,079)	(6,253)
	1,431,891	1,430,847

Contingent consideration equity reserve

The reserve records contingent equity consideration for the acquisition of the Asia Pacific distribution rights for the AngelMed Guardian System. The contingent consideration is made up of both cash payments (refer to Note 9) and equity issues. The equity contingent consideration component meets the definition of an equity as it is expected to be settled in a fixed number of shares.

Movement in reserves

Movement in each class of reserve during the current and previous financial year are set out below:

	Contingent consideration equity reserve	Share based payments reserve	Foreign currency translation reserve	Total Reserves
	\$	\$	\$	\$
Balance at 30 June 2022	825,000	612,100	(6,253)	1,430,847
Share based payments	-	132,949	-	132,949
Removing expired Performance Rights / Options	-	(39,798)	-	(39,798)
Performance rights / Options exercised	-	(88,281)	-	(88,281)
Movement in functional currency of foreign operations	-	-	(3,826)	(3,826)
Balance at 31 December 2022	825,000	616,970	(10,079)	1,431,891

Hydrix Limited
Notes accompanying the financial statements
For the half-year ended 31 December 2022

15 Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
Loss after income tax attributable to the owners of Hydrix Limited	\$ (1,963,037)	\$ (2,404,457)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	206,644,717	163,810,388
Anti-dilutive shares excluded from weighted average number of ordinary shares:		
Options over ordinary shares	87,470,490	20,504,050
Warrant shares	8,000,000	8,000,000
Contingent equity consideration	7,500,000	12,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	206,644,717	163,810,388
	Cents	Cents
Basic and diluted loss per share	(0.95)	(1.47)

In addition to the 3,724,667 non-quoted options (refer to Note 16) the following quoted options were in existence during the half-year:

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Options granted	Options exercised	Options expired/forfeited	Balance at the end of the half-year
30-Jul-20	31-Jul-22	\$0.120	5,394,141	-	7,220	5,386,921	-
31-Jul-20	31-Jul-22	\$0.120	8,847,325	-	-	8,847,325	-
18-Sep-20	31-Jul-22	\$0.120	4,666,666	-	-	4,666,666	-
14-Apr-22	31-Mar-24	\$0.180	28,280,000	-	-	-	28,280,000
7-Dec-22	31-Dec-23	\$0.120	-	50,465,823	-	-	50,465,823
			47,188,132	50,465,823	7,220	18,900,912	78,745,823

These options can be transferred and are quoted on the ASX (ASX: HYDOA and HYDOB).

16 Share-based payments

On 29 September 2022 218,750 shares were issued to key management personnel with a total fair value of \$55,781. A further issue of 250,000 shares with a total fair value of \$32,500 was made to key management personnel on 30 September 2022 as identified in the issued capital disclosure (refer to note 13).

Recognised share-based payment expenses

The expense recognised from employee services received during the year is shown in the table below:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Expenses arising from equity-settled share-based payment transactions	132,949	47,820

Types of share-based payment plan

Employee Share Option Plan, 'ESOP'

A Long Term Incentive Plan (LTIP) has been established and approved by shareholders where the Company may, at the discretion of the Board, grant options over the ordinary shares of Hydrix Limited to Directors, Executives, contractors and employees of the consolidated entity. The exercise of the options are subject to time-based and performance-based vesting conditions. The options cannot be transferred and will not be quoted on the ASX.

The following non-quoted options issued under the LTIP were in existence during the half-year:

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Options granted	Options exercised	Options expired/forfeited	Balance at the end of the half-year
9-Mar-20	30-Jun-25	\$0.290	466,626	-	-	52,500	414,126
8-Sep-20	30-Jun-25	\$0.075	493,652	-	-	62,750	430,902
2-Oct-20	30-Jun-25	\$0.075	491,875	-	-	59,063	432,812
17-Jan-22	30-Jun-26	\$0.100	897,925	-	-	118,000	779,925
30-Sep-22	30-Jun-27	\$0.175	-	705,152	-	38,250	666,902
			2,350,078	705,152	-	330,563	2,724,667

Other non-quoted options in existence during the half-year were:

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Options granted	Options exercised	Options expired/forfeited	Balance at the end of the half-year
7-Mar-22	7-Mar-25	\$0.300	1,000,000	-	-	-	1,000,000
			1,000,000	-	-	-	1,000,000

The following performance rights were in existence during the half-year:

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Performance rights granted	Performance rights exercised	Performance rights expired/lapsed	Balance at the end of the half-year
17-Dec-20	30-Jun-22	\$0.00	250,000	-	218,750	31,250	-
13-Jan-22	30-Jun-22	\$0.00	250,000	-	250,000	-	-
13-Jan-22	30-Jun-23	\$0.00	250,000	-	-	-	250,000
13-Jan-22	30-Jun-23	\$0.00	500,000	-	-	-	500,000
13-Jan-22	30-Jun-24	\$0.00	250,000	-	-	-	250,000
13-Jan-22	30-Jun-24	\$0.00	750,000	-	-	-	750,000
13-Jan-22	30-Jun-24	\$0.00	750,000	-	-	-	750,000
13-Jan-22	30-Jun-24	\$0.00	2,500,000	-	-	-	2,500,000
			5,500,000	-	468,750	31,250	5,000,000

17 Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2022 (2021: nil).

18 Events after the reporting period

Hydrix Ventures

On 25 January 2023, AngelMed signed an agreement with a third party that has committed to Guaranteed Purchase Minimums of US\$85.0 million over 5-years for the rights to distribute the Guardian in the Middle East & North Africa (MENA), a market with 150 million people.

On 10 February 2023, AngelMed closed an oversubscribed US\$7.8 million Series B round priced at US\$1.25 per share. This capital raise was part of US\$26.0 million cross-over round to fund the appointment of a new C-Suite leadership, more than triple the size of the sales team and to extend the runway to continue exploring IPO opportunities. As a result of the Series B transaction, the consolidated entity recognised a gain on financial assets of A\$369,004 to increase the carrying book value from A\$1,476,055 at 31 December 2022 to approximately A\$1,845,059 at the date of this report.

On 24 February 2023, the consolidated entity recognised a gain on financial assets of \$117,153 after being issued an additional 5,930 shares in Gyder Surgical Pty Ltd for successfully completing the development of the GYDER product and acceptance of the submission of a 510K Premarket Approval application to the US Food & Drug Administration (FDA). Two further milestone payments become due and payable as and when the product is accepted onto the Australian Register of Therapeutic Goods, and separately, as and when the product is granted FDA approval.

Hydrix Medical

On 15 February 2023, the consolidated entity announced that the Australian Therapeutic Goods Administration (TGA) advised the consolidated entity that it will not accept its current regulatory application to market and distribute Angel Medical Systems Guardian in Australia. On 27 February 2023, the consolidated entity advised the TGA we will withdraw our application, and made an ASX announcement confirming that decision.

Hydrix Limited

On 21 February 2023, the maturity date of the \$1,000,000 unsecured shareholder loan facility provided by the major shareholder was extended to 31 July 2024 and the interest rate adjusted from 6.00% to 8.00% p.a. effective from 1 October 2022.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Hydrix Limited
Directors' Declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date;
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Gavin Coote
Executive Chairman
27 February 2023
Melbourne

Independent Auditor's Review Report

To the Members of Hydrix Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Hydrix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hydrix Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of Hydrix Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$1,963,037 during the half year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by \$2,744,568. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 27 February 2023