

Trading Update and 1H FY19 Outlook

Positive finish to 1H FY19 and a strong pipeline for 2H FY19

Hydrix Limited ('the Company' or 'Hydrix') (ASX:HYD) today provided a trading update.

Highlights:

- On track to meet or exceed all of our stated company milestones for 1H FY19;
- Secured an additional \$2 million of new and follow-on project work since our market update of 25 October 2018. This brings the potential total contract value of projects currently underway to over \$22 million, representing an increase of 10% over the previous guidance that was provided in October 2018;
- Completed the integration of Hydrix as well as the successful rebranding of the whole Group to 'Hydrix', with a new ASX listing code ("HYD"); and
- Raised \$2.8m in August 2018 and completed a restructuring and a reduction of the Group's loan facilities.

Trading Update

We have had a successful 1H FY19, with continued revenue growth, and reduced costs. We have achieved continued success in our target markets of Medical Technology, Critical Systems & Defence, and Consumer and Industrial.

Our core product and technology development services continue to deliver strong revenue growth, with sustained quarter-on-quarter increases since the start of the calendar year. We continue to expand our margins on new design projects, taking advantage of international client price expectations as well as seeking growth in local fee rates.

We expect to meet or exceed all stated company milestones for 1H FY19.

1H FY 19 Target Milestones and Achievements

- Minimum 15% revenue growth compared to 2H FY18;
 - Expect revenue in 1H FY19 to increase by at least 40% on 2H FY18
 - This would mean 1H FY19 revenue would be broadly equivalent to the full year FY18 revenue of \$5.7 million
- 15% increase in engineering services capacity
 - Increased the team by 25% to over 60 professional designers and engineers
- Secure three new significant and high-dollar value projects
 - Secured four significant, potentially high-dollar value projects during the period including Rex Bionics, Calon Cardio, Gyder Surgical, a smart water meter project, in addition to follow on stages of work for substantial projects including Memphasys, Queensland Brain Institute and others

- Achieve a 20% reduction in cash used in operating activities in the December quarter against the September quarter.
 - Expect that we will achieve this milestone

We are also encouraged by the continued growth of our international business with 50% of our anticipated FY19 revenue expected to come from overseas customers.

Since our last market update on 25 October 2018, we have secured an additional \$2 million worth of new and follow on project work, including:

- A greater than \$1 million project to design and supply digital water meters for initial field trials for a major Australian water utility. Successful trial outcomes may lead to a follow-on project in late 2019 to design and supply a significant volume of the smart meter.
- An initial A\$75,000 fact-finding workshop in the UK with Calon Cardio who have retained Hydrix to develop their next generation Ventricular Assist Device (VAD). The total program is expected to have a value of approximately A\$5 million over a period of 18-24 months leading to a first-in-human trial of the device.

These project wins are incremental to existing operating projects, bringing the potential total contracted value of projects underway to more than \$22 million. This is 10% above the previous guidance provided in October 2018.¹

As we secure projects, we continue to fill our pipeline with new leads and opportunities both locally and internationally, resulting in a deal pipeline of in excess of \$50 million.

Hydrix CEO, Peter Lewis commented: *“We are very pleased to report that the Hydrix business continues to deliver solid growth and we anticipate achieving or exceeding all of our targets. Importantly, the aggregate potential value of contracts underway has continued to grow as we invest in global sales and marketing efforts. Overall, we are maintaining a strong focus on driving the business towards positive operating cash flow”*.

Shareholder Update

Hydrix is today writing to shareholders with its regular business update, a copy of which can be found at <https://www.hydrix.com/investors/investor-information>

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For more information, contact:

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About Hydrix Limited

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

¹ Note: The aggregate potential contract value of both new and existing projects is subject to the Company and its customers meeting various milestones over the next 12-24 months.