

30 June 2019 Quarterly Update and Appendix 4C

Highlights (unaudited)

- Record FY19 total revenue of \$14.23 million, a 149% increase on FY18;
- Maiden quarterly cash operating profit ⁽¹⁾ of \$0.43 million;
- Record June quarter operating revenues of \$4.2 million, a 112% increase on 4Q18;
- Funds available for working capital of \$0.78 million; and
- Pipeline of potential revenue from current projects in excess of \$33.0 million.

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C quarterly cash flow report for the three-month period ended 30 June 2019 (Q4 FY19).

During financial year 2019, the Company delivered record total revenues of \$14.23 million (inclusive of other income of \$0.82 million) a year-on-year increase of 149%, and a maiden quarterly cash operating profit ⁽¹⁾ of \$0.43 million in the June quarter.

Funds available for working capital at 30 June 2019 are \$0.78 million.

Hydrix's Chairman, Gavin Coote, said, "The Company met or exceeded all market guidance milestones – including delivering a maiden quarterly cash operating profit.

"The Company is well placed to deliver strong revenue growth in fiscal 2020; a healthy pipeline of potential revenue from current projects exceeds \$33.0 million.

"The business continues to evaluate several potentially significant 'buy, build, invest' initiatives. The Board and executive remain confident in the Company's growth prospects."

Fiscal 2020 Outlook

Based on a pipeline of potential revenue from current client projects in excess of \$33.0 million, emerging new project opportunities from ongoing business development efforts and improved operating efficiencies, the underlying operating business is expected to deliver significantly improved financial performance in FY 2020.

Key milestone targets for FY 2020:

- Revenue growth to exceed 15% year on year;
- Deliver a full year cash operating profit; ⁽¹⁾
- Implement one 'buy, build, invest' initiative.

The Company's 'buy, build, invest' strategy is expected to increase both the scale of the services business and generate other revenue streams to grow shareholder value.

Chief Executive Officer Peter Lewis commented, "We have assembled a truly world class team, who are motivated to make a significant contribution towards improving people's health, safety and well-being.

"We are a significantly stronger business today as a result of the dedication and hard work of our team and our focus on growth opportunities, underpinned by improved business fundamentals.

"Our June quarter maiden cash operating profit is testament of this drive and commitment. We are very well placed to continue building and expanding our business during fiscal 2020."

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BUSINESS UPDATE

During fiscal 2019, the Company expanded its core services, streamlined operations and aggressively pursued revenue growth locally and internationally. The Company remains focused on three core business segments of medical technology, consumer and industrial products, and defence and critical systems.

MedTech

- The Company continues to promote and grow its medical products design services business in international markets, particularly in the USA and Europe.
- Given the rapid growth in personalised medicine, the Company's business development efforts remain focussed on implantable and wearable devices in particular cardiac systems.
- Hydrix recently exhibited at the American Society of Artificial Implantable Organs (ASAIO) in San Francisco generating considerable interest in the business' cardiac and related design services. Ongoing efforts in this market are expected to lead to new design business in the coming year.
- The Company has a strong global reputation in the design of Ventricular Assist Devices (VADs), particularly for companies developing new heart pump technologies. The Company has several cardiac projects with clients in Europe and the USA and is currently in discussions with several others based in Europe, US and China.
- The Company's regulatory consulting services to clients seeking product regulatory approval in China, the US and Europe is delivering strong growth.

Hydrix exhibited cardiac technology innovation at the ASAIO conference in San Francisco in June.



Defence and Critical Systems

- The Company expanded its engineering capabilities and business development to grow a local market presence in the Australian defence and security sector, securing several new projects.
- The Company has established a 'staff augmentation' contract services business that has seen some of the Hydrix team 'embedded' within clients' businesses to work on sensitive defence projects.
- Demand for defence engineers is expected to remain strong for the foreseeable future ensuring Hydrix is well placed to continue to grow this area of its business.

Consumer & Industrial Applications

- The Company secured new projects in mining, utilities, consumer goods and transportation.
- A resurgent Australian mining and resources sector provides a strong platform for growth of the Company's design business in this sector.
- The Company continues to secure work with a variety of established companies to develop, for example, new generation vehicle battery management technology, industrial cooling systems, and advanced smoke and fire detection systems.

Technology innovation in the mining & resources sector



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Note (1): Cash operating profit is Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and Share-based payments for a full year and may vary on a quarterly basis.

The difference between cash operating profit and the cash used in operating activities shown in the Appendix 4C is as a result of working capital movements (principally where work has been invoiced for but not yet paid).

The Company intends to lodge its Appendix 4E and audited financial report for the 2019 financial year with the ASX in late August 2019.

-ENDS

For more information, contact info@hydrix.com

About Hydrix Limited

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

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

30 June 2019

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	3,420	12,417
1.2	Payments for		
	(a) research and development	(13)	(338)
	(b) product manufacturing and operating costs	(329)	(1,327)
	(c) advertising and marketing	-	(16)
	(d) leased assets	-	-
	(e) staff costs	(2,920)	(11,615)
	(f) administration and corporate costs	(1,410)	(3,941)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	14
1.5	Interest and other costs of finance paid	(28)	(98)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	499	808
1.8	Other (provide details if material)		
	- Prepaid deposits refunded	-	25
	- Transaction costs	(74)	(74)
1.9	Net cash from / (used in) operating activities	(854)	(4,144)

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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(15)	(52)
	(b) businesses (see item 10)	-	-
	(c) investments	-	(3)
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(15)	(55)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,773
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(274)
3.5	Proceeds from borrowings	600	2,525
3.6	Repayment of borrowings	(350)	(750)
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	250	4,274
4.	Net increase / (decrease) in cash and cash equivalents for the period	(619)	75
4.1	Cash and cash equivalents at beginning of quarter/year to date	854	160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(854)	(4,144)

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4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(55)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250	4,274
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	235	235

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	235	854
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)	235	854

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

98

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

-

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,750	3,205
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	1,000	1,000
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In addition to the **\$0.235 million** cash on hand as at 30 June 2019, the Company has Loan facilities available for general working capital purposes totalling **\$0.545 million**. Total funds available for general working capital purposes are **\$0.780 million**.

The Company has the following facilities in place:

1. \$1.00 million unsecured overdraft facility provided by a Director to meet short term working capital needs. Interest rate is 10% on funds borrowed.
2. Existing shareholder loan facilities in the aggregate of \$3.75 million of which \$0.545 million was available at 30 June 2019 for working capital purposes. As previously reported, there are two shareholder loan facilities:
 - a) An unsecured \$1.75 million loan facility provided by a major shareholder with a maturity date of 31 December 2019 and paying interest at 10% per annum; and
 - b) A secured loan facility of \$2.00 million provided to the Company by a separate shareholder of which \$0.05 million is available at 30 June 2019 for working capital purposes. The loan is secured by the assets of the Hydrix Services subsidiary (ACN 621 448 299), and is guaranteed by Hydrix Limited. The loan has a maturity date of 31 December 2019 and pays interest at 11% per annum.
3. In addition, under the Company's August 2018 Private Placement, shareholders are entitled to exercise an option to purchase shares at a strike price of \$0.08 on the basis of one option for every two shares. If 100% of the options are exercised, a further 31.25 million shares would be issued, raising \$2.5 million in capital for the Company.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(2)
9.2	Product manufacturing and operating costs	(247)
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(3,039)
9.6	Administration and corporate costs	(1,582)
9.7	Other (provide details if material)	(100)
9.8	Total estimated cash outflows	(4,970)

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

The estimated cash inflows for the next quarter from income generated by the combined businesses and not reflected in the above estimated cash outflows is \$4.9 million.

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

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Gavin Coote
Chairman
29 July 2019

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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