

Hydrix delivered record quarterly revenues of \$3.1 million and met or exceeded all 1H19 target milestones

During the second quarter ending 31 December 2018, Hydrix Limited (**Hydrix** or the **Company**) achieved:

- Record 2Q19 revenue of \$3.1 million representing a 21% increase compared to 1Q19
- A 43% increase in revenue in 1H19 of \$5.7 million compared to 2H18 of \$4.0 million
- Delivered the fifth successive quarter of revenue growth
- Grew current contract value, now totalling over \$20 million

Hydrix's Chief Executive Officer, Peter Lewis, said: "I am delighted that we have met or exceeded all previous market targets for both the quarter and the half. We delivered strong growth in our core services demonstrating the strength of the Hydrix brand as we continue to be recognised as a market leader in our chosen sectors both locally and overseas.

"We secured new consumer and industrial sector design business clients which included a major utility, mining services and communications technology projects. We also secured follow-on stages of work for current MedTech projects including Rex Bionics' powered exoskeleton, Queensland Brain Institute's Alzheimer's treatment and the Memphasys sperm separation system, amongst others.

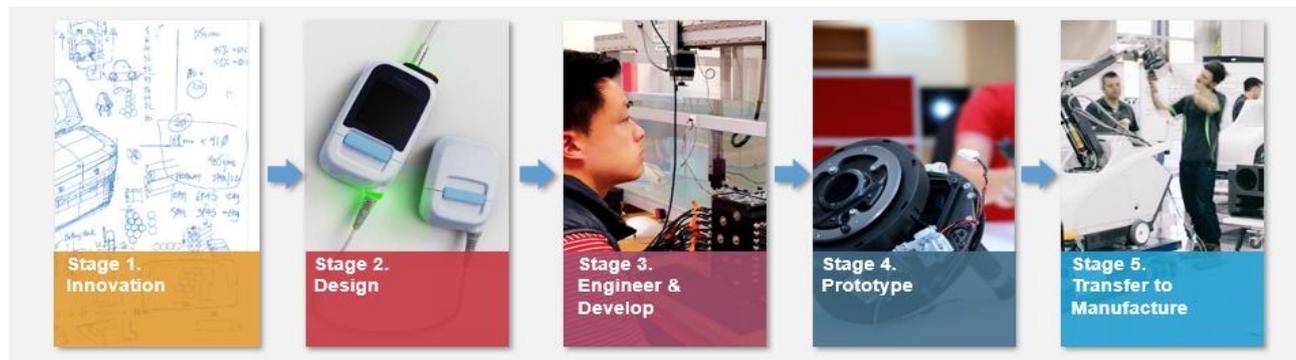
"In light of the Company's continued strong revenue growth, and taking into account existing facilities and support of major shareholders, the Board is confident it is funded for its current organic growth plans. The Company continues to target being cashflow positive by the end of the current financial year."

The table below highlights 1H19 market targets and shows they were met or exceeded:

Market Targets for 1H19	1H19 Results (Unaudited)
Minimum 15% revenue growth compared to 2H18	☑ Exceeded: 1H19 Revenue of \$5.7m represented 43% growth on 2H18 revenue of \$4.0m
15% increase in engineering services capacity	☑ Exceeded: 25% increase in highly qualified engineers and designers to reach current 60 personnel
Secure three new significant and high-dollar value projects	☑ Achieved: Rex Bionics, Gyder Surgical and a large Utility
20% reduction in cash used in operating activities in the December quarter against September quarter	☑ Exceeded: 27% reduction in cash used from \$1.8m in 1Q19 to \$1.3m in 2Q19
Implement 'Buy, Build, Invest' strategy	Achieved: ☑ Buy: Continue to identify and evaluate strategic acquisitions ☑ Build: P4 spectrometer on track to release in 2019 ☑ Invest: Established strategic partnership investment in Gyder Surgical Pty Ltd

Hydrix’s Services Project Value

Hydrix’s design projects are generally contracted by our clients on a stage by stage basis; typically up to five stages. As one stage of a project is being worked on by our engineers and designers, the next stage of work is estimated. As each stage of work is completed and delivered, clients then contract Hydrix to commence subsequent stages. The Company only reports projects that are contracted and therefore many of our projects that might have a potential aggregate value of many millions of dollars are only reported on a stage by stage basis.



The Company currently has 27 different projects underway, varying from small projects which are sub \$100,000 in total contract value, to several large projects with potential contract values totalling many millions of dollars. The Company’s potential contract value of current projects is in excess of \$20 million. The Company is well placed to continue to deliver strong revenue growth during the next 12 months based on current project revenue potential and a \$50 million-plus qualified opportunity pipeline.

As part of the Company’s stated “Buy, Build, Invest” strategy to grow shareholder value, we continued to evaluate numerous acquisitions and investments in high potential clients during the first half.

Based on outlook period demand, the Company’s 2H19 milestones are on track:

Targets/Goals	Status
Minimum 15% revenue growth compared to 1H19	✔ On track
Global leader in cardiac assistance control devices	✔ On track
Secure three significant and high-dollar value projects	✔ On track
Deliver an operating profit in 4Q19	✔ On track
Identify next acquisition or equity investment opportunity	✔ Ongoing

-ENDS

For more information, contact info@hydrix.com

About Hydrix Limited

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

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")

31 December 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,839	5,232
1.2	Payments for		
	(a) research and development	(45)	(300)
	(b) product manufacturing and operating costs	(419)	(663)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(2,985)	(5,838)
	(f) administration and corporate costs	(969)	(1,795)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	14
1.5	Interest and other costs of finance paid	-	(59)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	309	309
1.8	Other (provide details if material)		
	- Prepaid deposits refunded	-	25
1.9	Net cash from / (used in) operating activities	(1,263)	(3,074)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(11)	(29)
	(b) businesses (see item 10)	-	-

	(c) investments	-	-
	(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	(11)	(29)
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares	500	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	(70)	(234)
3.5	Proceeds from borrowings	-	525
3.6	Repayment of borrowings	-	-
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	430	3,064
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.	Net increase / (decrease) in cash and cash equivalents for the period	(844)	(40)
4.1	Cash and cash equivalents at beginning of quarter/year to date	965	160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,263)	(3,074)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(29)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	430	3,064

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	121	121

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	121	965
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)	121	965

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**

94

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

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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**

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- 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	3,000	2,775
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	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 \$0.121 million cash on hand as at 31 December 2018, the Company has various facilities and funds for general working capital purposes totalling \$1.225 million available, bringing total funds available for general working capital purposes to \$1.346 million, comprised as follows:

1. \$1.0 million unsecured overdraft facility provided by a Director to meet short term working capital needs. Interest rate is 10% on funds borrowed.
2. Two existing shareholder loan facilities in the aggregate of \$3.0 million of which \$0.225 million was available at 31 December 2018 for working capital purposes. As previously reported, there are two shareholder loan facilities:
 - a) An unsecured \$1.5 million loan facility provided by a major shareholder. During the quarter this shareholder converted \$0.5 million of drawn loan funds into the purchase of ordinary shares in the Company's Private Placement. The remaining loan balance of \$1.0 million has a maturity date of 31 December 2019 and pays interest at 10% per annum; and
 - b) A secured loan facility of \$2.5 million provided to the Company by a separate shareholder. The loan is secured by the assets of the Hydrix Services Pty Ltd subsidiary (ACN 621 448 299) and is guaranteed by Hydrix Limited. Of this facility, \$1.0 million was used to fund the Company's acquisition of the business assets of Hydrix announced on 13 November 2017. During the 12 months ended 31 December 2018 \$1.275 million was drawn down for working capital purposes. Funds remaining under this facility of \$0.225 million at 31 December 2018 are available for working capital purposes. During the quarter this shareholder converted \$0.5 million of drawn loan funds into the purchase of ordinary shares in the Company's Private Placement. The remaining loan balance of \$2.0 million 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	(15)
9.2	Product manufacturing and operating costs	(293)
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(2,874)
9.6	Administration and corporate costs	(1,258)
9.7	Other (provide details if material)	(22)
9.8	Total estimated cash outflows	(4,462)

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 \$3.66 million excluding any R&D tax incentive received.

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.

Sign here:



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 (Director)

Date: 31 January 2019

Print name: Gavin Coote

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.