

Hydrix announces Loyalty Options Offer and affirms key milestone initiatives

Hydrix Limited (**Hydrix** or the **Company**) (**ASX:HYD**) today announced a Loyalty Options Offer to its securityholders.

Highlights

- Loyalty Options will be offered to Eligible Shareholders at a ratio of one (1) Loyalty Option for every eight (8) Shares held as at the relevant record date.
- Loyalty Options will also be offered to Eligible HYDO Option holders at a ratio of one (1) Loyalty Option for every one (1) HYDO Option held prior to their expiry on 31 July 2022.
- Loyalty Options will have an issue price of A\$0.005 per Loyalty Option, an exercise price of A\$0.12, and an expiry date of 31 December 2023.
- For every two (2) Loyalty Options exercised by a holder on or before 30 April 2023, the Company will issue one (1) further Piggyback Option to the holder for nil consideration. Piggyback Options will have an exercise price of A\$0.28, expiring 30 April 2025.
- If the maximum number of Loyalty Options are issued and exercised, Hydrix will raise \$5.5 million; if the maximum number of Piggyback Options are issued and exercised, Hydrix will raise an additional \$6.1 million.
- Loyalty Options and Piggyback Options are intended to reward loyal securityholders who have supported Hydrix by giving them an opportunity to participate in Hydrix's growth strategy to become a globally diversified med-tech company, whilst simultaneously providing a mechanism for Hydrix to progressively fund its targeted milestone growth initiatives during 2022 and 2023.
- These milestone initiatives include:
 - Hydrix Services: sales growth, improving margins, targeting FY23 profitability.
 - The Guardian: Australian TGA and Singapore HSA regulatory approval determination; once TGA approval received, commence sales to, and implants in, public hospitals, and lodge application with MSAC for surgical procedure reimbursement; commence implants under the clinical trial registry with national cardiology group.
 - PHYZHON FFR wire: commence first in human trial.

Loyalty Options Offer

Hydrix intends to undertake an offer of Loyalty Options to its shareholders with an address in Australia or New Zealand (**Eligible Shareholders**) at the relevant record date. For every eight (8) fully paid ordinary shares (**Shares**) held at the record date, Eligible Shareholders will be offered the opportunity to subscribe for one (1) Loyalty Option (**Shareholder Offer**).

In addition, Hydrix intends to extend the offer of Loyalty Options to "**Eligible HYDO Optionholders**", being those holders of Hydrix's class of listed options exercisable at \$0.12 (ASX code: HYDO) that expired at 5.00pm (AEST) on 31 July 2022 (**HYDO Options**), and with an address in Australia or New Zealand. Eligible HYDO Optionholders will be offered Loyalty Options at a ratio of one (1) Loyalty Option for every one (1) HYDO Option held as at 4.59pm (AEST) on 31 July 2022 (**HYDO Optionholder Offer**).

The Loyalty Options will be offered under the Shareholder Offer and HYDO Optionholder Offer (together, the **Loyalty Options Offer**) to Eligible Shareholders and Eligible HYDO Optionholders (together, the **Eligible Securityholders**) respectively, at an issue price of \$0.005 each.

The Loyalty Options will each be exercisable into one (1) Share, at an exercise price of A\$0.12, on or before 31 December 2023 (**Loyalty Options Expiry Date**). The Company intends to seek quotation of the Loyalty Options on the ASX.

To encourage Loyalty Option holders to exercise their Loyalty Options prior to the Loyalty Options Expiry Date, Hydrix will also issue one (1) free option to acquire one (1) Share (**Piggyback Option**), for every two (2) Loyalty Options exercised by a holder on or before 30 April 2023 (**Early Exercise Date**). Loyalty Option holders must exercise their Loyalty Options on or before the Early Exercise Date in order to receive any Piggyback Options.

The Piggyback Options will each have an exercise price of A\$0.28, and an expiry date of 30 April 2025. The Company does not presently intend to seek quotation of the Piggyback Options on the ASX.

The Loyalty Options and Piggyback Options are intended to reward loyal securityholders who have supported Hydrix, by giving them an opportunity to participate in Hydrix's growth strategy to become a globally diversified med-tech company, whilst simultaneously providing a mechanism for Hydrix to progressively fund its targeted milestone growth initiatives during 2022 and 2023. These initiatives are explained in further detail below.

It is intended that the offer of Loyalty Options under the Shareholder Offer and HYDO Optionholder Offer (but not the subsequent exercise of Loyalty Options) will be fully underwritten by Baker Young Limited (**Underwriter**). The Company will announce the terms of the underwriting agreement as soon as practicable once it is entered into.

The Loyalty Options and Piggyback Options will be issued under a prospectus, which will be lodged by the Company in the coming weeks, and which will include a timetable for the Loyalty Options Offer.

The Company intends to seek shareholder approval under ASX Listing Rules 7.1 and 10.11, as may be necessary for the Company to issue the Piggyback Options and the Loyalty Options. To the extent permitted, the Company intends to rely on ASX Listing Rule 7.2 (exceptions 1 and 2) to issue the Loyalty Options to Eligible Shareholders (and if relevant, the Underwriter) under the Shareholder Offer.

Details of Loyalty Options Offer

Total Shares on issue as at 4 August 2022	197,643,280
No. of Loyalty Options to be issued under Shareholder Offer on 1-for-8 basis	24,705,410
HYDO Options on issue as at 4.59pm (AEST) on 31 July 2022	18,900,912
No. of Loyalty Options to be issued under HYDO Optionholder Offer on 1-for-1 basis	18,900,912
Aggregate no. of Loyalty Options to be issued	43,606,322
Maximum amount raised from issue of Loyalty Options (at issue price of \$0.005 each)	\$218,032
Maximum amount raised from exercise of Loyalty Options (at exercise price of \$0.12 each)	\$5,232,759
Maximum no. of Piggyback Options to be issued (assuming early exercise of all Loyalty Options)	21,803,161
Maximum amount raised from exercise of Piggyback Options (at exercise price of \$0.28 each)	\$6,104,885

Funds raised under Loyalty Options Offer to facilitate Hydrix in meeting 2022-23 milestone targets

Under the Loyalty Options Offer, Hydrix will raise up to:

- \$220k from the issue of the Loyalty Options to Eligible Securityholders;
- \$5.2 million from the exercise of all Loyalty Options, where all Loyalty Options are exercised prior to the Loyalty Options Expiry Date; and
- \$6.1 million from the exercise of all Piggyback Options, assuming that all Loyalty Options are exercised prior to the Early Exercise Date, and where the maximum number of Piggyback Options is issued and exercised.

The issue of the Loyalty Options and Piggyback Options is designed to provide a progressive funding strategy for Hydrix during the latter half of calendar year 2022 and 2023, as it seeks to achieve the following milestones and initiatives during that period:

Funds raised to be applied towards the following business initiatives:	
Hydrix Services	<p>FY23 Revenue</p> <ul style="list-style-type: none"> ▪ Achieving on trend (20%) revenue growth ▪ Achieving sales growth and improving margins ▪ Targeting profitability in FY23
The Guardian	<p>Q3 CY22: Finalise Australia clinical trial registry site Initiation</p> <ul style="list-style-type: none"> ▪ National cardiology group to commence recruiting suitable patients for first implants ▪ First implants of The Guardian in Australia under special access scheme <p>H2 CY22: Once Australian TGA regulatory approval of The Guardian received</p> <ul style="list-style-type: none"> ▪ Commence commercial sales to public hospitals in Australia & New Zealand ▪ Lodge application for public funding with the Medical Services Advisory Committee (MSAC) for surgical procedure reimbursement ▪ Target Q1 CY23 MSAC Committee review meeting <p>Q3-Q4 CY23: Australian private insured patient reimbursement</p> <ul style="list-style-type: none"> ▪ Lodge application to Prothesis List Advisory Committee (PLAC) for private health insurance reimbursement once MSAC approval received ▪ Target 3Q CY23 PLAC Committee review meeting ▪ Commence reimbursed private insured patient implants after product is added to the Prothesis List <p>H2 CY22: Singapore HSA regulatory approval (lodged August 2021)</p> <ul style="list-style-type: none"> ▪ Commence personally funded patient implants ▪ Lodge application during CY23 for listing on the CY2024 Table of Surgical Procedures (TOSP) Listing for Medisave / Medshield Life insurance reimbursement
Phyzhon FFR Wire	<p>Q4 CY22: receive FFR wires and Consoles for trials in Australia</p> <ul style="list-style-type: none"> ▪ Commence Phyzhon FFR Wire first in human (FIH) trial in Melbourne
Venture Portfolio: Gyder Surgical	<p>H1 CY23: Hip surgical navigation system for implants</p> <ul style="list-style-type: none"> ▪ Submissions to FDA and TGA for regulatory approval

AngelMed Guardian and general business update

As detailed in Hydrix's Appendix 4C and quarterly update lodged with the ASX on 12 July 2022, the September quarter has started strongly for the Services business. Solid sales conversions continue to build a strong order book, and increasing billable utilisation is also translating into higher revenue rates than the prior year. The combination of improving sales, billable utilisation and effective fee rate growth is expected to return the Services business to profitability in FY2023.

For Hydrix Medical, further progress has been made in finalising the clinical trial registry. The registry is being completed with a national cardiology partner which will commence implants of The Guardian device under a special access scheme for its patients. The clinical trial registry will provide a secure platform to collate Australian patient data, which will help support adoption in Australia.

The TGA application submitted in July 2021 was made with FDA predicate approval which Angel Medical Systems received for the upgraded Guardian in June 2021. A favourable decision from the TGA will authorise the Company to progress critical milestones, including:

- the right to advertise the Guardian as a medically available product in Australia;
- commencement of commercial sales to, and patient implants in, public hospitals;
- an application to MSAC for an MBS Item Code to reimburse the surgical implant procedure, which is a precursor to; and
- an application to PLAC for device reimbursement for privately insured patients.

Angel Medical System's (**AngelMed**) strong sequential quarter growth for the first half of this year, and outlook for the remainder of the year and beyond in the USA at very high repeat order levels, is encouraging. The key triggers to commence sales on 1 January 2022 were FDA approval in June 2021 and subsequently being granted insurance reimbursement codes. AngelMed's growth is being achieved due to the benefits of the Guardian's emergency warning system being recognised by patients and healthcare providers.

A recent USA recipient's Guardian alarm went off while dining out at a restaurant. The person was asymptomatic with no recognisable symptoms. The real-time emergency alert sent this high-risk person with a medical history of previous acute coronary syndrome (ACS) events to the hospital emergency department. Despite remaining asymptomatic when arriving at the hospital emergency department, physicians discovered a significantly blocked coronary artery. Without the Guardian, the patient acknowledged he was not aware of the emerging risk of the coronary artery blockage.

Time is muscle. That is, delays in time from symptom onset to intervention increase the risk of irreversible damage to a person's heart muscle, negatively impacting on their quality of life and adding costs to the healthcare system.

When approving the Guardian, the FDA acknowledged it as a 'first of kind' device that 'satisfies an unmet need'. There is no comparable product on the market, and the more patient success stories emerge, the greater the opportunity for significant market growth.

-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 wellbeing of 1 billion lives. The company leverages its powerful product innovation capability across multiple growth platforms. These platforms include **Hydrix Services** design and engineering to create products that transform markets, **Hydrix Ventures** to pick winning investments in high potential innovative products, and **Hydrix Medical** to develop new product revenue streams bringing cardiovascular technologies to market, which improve patient mobility and quality of life.