



Target Market Determination – Option Issue

Made by: Hydrix Limited ACN 060 369 048 (**Company**)

Product: Options to acquire fully paid ordinary shares in the Company (**Options or Loyalty Options**) to be issued under a transaction specific prospectus dated 28 October 2022 (**Prospectus**)

Effective date: 28 October 2022

1. Background

This target market determination (**TMD**) has been prepared by the Company in relation to an offer to issue the Options, made by the Company under the Prospectus pursuant to section 713 of the *Corporations Act 2001* (Cth) (**Act**), and has been designed to help investors understand the class of consumers for whom the offer of Options is most suitable.

This TMD sets out the class of consumers whose financial objectives would likely be consistent with the distribution conditions and restrictions imposed on the distribution of the Options, as well as reporting requirements for distributors in accordance with the requirements of section 994B of the Act.

A copy of the Prospectus is available on the Company's website, www.hydrix.com. The Offer will be made under the Prospectus.

Any recipient of this TMD should carefully read and consider the Prospectus in full, and consult their stockbroker, accountant, solicitor and/or other professional adviser if they have any questions regarding the contents of the Prospectus.

This TMD is not a disclosure document for the purposes of the Act, and therefore has not been lodged, and does not require lodgement, with the Australian Securities and Investments Commission (**ASIC**) nor does it contain a full summary of the terms and conditions of the Options.

Any recipient of this TMD who wants to acquire Options under the Offer will need to complete the entitlement and acceptance form that will be in, or will accompany, the Prospectus. There is no cooling off period in respect of the issue of the Options.

This TMD is not to be used except for the purpose of a regulated person complying with their obligations under Part 7.8A of the Act. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

This TMD is not intended to provide you with financial advice, or take into account your objectives, financial situations or needs. It is important for you to consider these matters and read the Prospectus before you make an investment decision. The Company is not licensed to provide financial product advice in relation to the Options.

Unless otherwise defined in this TMD, capitalised terms have the meaning given to them in the Prospectus.

2. Product Information

The key features of the Options are as follows:

Offer details	<p>The Company is making an offer of Loyalty Options under the Prospectus (Offer), comprising:</p> <p>(a) Shareholder Offer: A pro-rata non-renounceable entitlement offer to Eligible Shareholders, of one (1) Loyalty Option for every eight (8) Shares held on the record date of 7.00pm (Melbourne time) on 2 November 2022; and</p> <p>(b) HYDO Optionholder Offer: An offer of Loyalty Options to Eligible HYDO Optionholders, at a ratio of one (1) Loyalty Option for every one (1) HYDO Option held as at 4.59pm (Melbourne time) on 31 July 2022.</p>
Terms of Options	<p>The Loyalty Options are options to acquire Shares in the Company, exercisable at \$0.12 per Loyalty Option (Exercise Price), on or before the expiry date of 5.00pm (Melbourne time) on 31 December 2023 (Expiry Date).</p> <p>The Loyalty Options are exercisable at any time during the period from their date of issue, up until the Expiry Date (Exercise Period). A Loyalty Option not exercised before 5.00pm (Melbourne time) on the Expiry Date will automatically lapse at that time.</p> <p>The Company intends to apply to ASX for quotation of the Loyalty Options, subject to the requirements for quotation of the Loyalty Options on the ASX being satisfied.</p> <p>Each Loyalty Option will, upon exercise, entitle its holder to subscribe for, and be issued with, one Share, which will rank equally in all respects with all other Shares then on issue.</p> <p>In addition, for every two (2) Loyalty Options exercised by a holder on or before the early exercise date of 30 April 2023, the Company will issue one (1) further Piggyback Option, for nil consideration, to the holder who exercised the Loyalty Options.</p> <p>The Piggyback Options are not being offered under the Prospectus. To the extent that any Piggyback Options are issued after the early exercise date of 30 April 2023, such Piggyback Options will have an exercise price of \$0.28 each, and will expire at 5.00pm (Melbourne time) on 30 April 2025.</p> <p>The Company intends to apply to ASX for quotation of the Piggyback Options (if any are issued), subject to the requirements for quotation of the Piggyback Options on the ASX being satisfied at the relevant time.</p>

3. Target Market

The table below summarises the overall class of consumers that fall within the target market for Options, based on the product key attributes and the objectives, financial situation and needs that it has been designed to meet.

Investment objective	As the Loyalty Options may be exercised at any time prior to the Expiry Date, the Company expects that an investment in the Loyalty Options will be suitable for investors who wish to have the right, but not the obligation, in the short to medium term (approximately 1 year), to gain exposure to equities in small-cap product design, engineering and medical device distribution companies listed on the ASX.
Investment timeframe	<p>The target market of investors will take a short to medium term outlook in relation to their investment in the Company.</p> <p>Investors with a short-term outlook for their investment will benefit from an anticipated listing of the Options on ASX, as well as an ability to exercise the Options and trade the underlying Shares issued on exercise, should the exercise price of the Options be lower than the trading price of Shares.</p> <p>Investors with a medium-term outlook will benefit from an ability to exercise the Options during the Exercise Period, and increase their shareholding and exposure to the potential upside in Shares into the future.</p> <p>Given the requirement to pay the Exercise Price in order to acquire Shares, investors in the target market are in a financial position that is sufficient for them to invest their funds over the Exercise Period (which will be approximately 1 year), should they wish to exercise their Options.</p> <p>Any decision to exercise the Options is likely to be based on the trading price of the Shares.</p>
Investor suitability metrics	<p>While the Company does not have an established eligibility framework for investors based on metrics such as employment status, income levels, age or an expected return or volatility, it is expected that the target market of investors will be those investors that wish to obtain optionality for exposure to the Company's ongoing operations, and that will be able to withstand potential fluctuations in the value of their investment.</p> <p>The Exercise Price is required to be paid to acquire Shares on exercise of Options. As such, the capacity to realise the underlying value of the Options would require that they be exercised on or before the Expiry Date.</p> <p>Investors in the target market will need to be in a financial position to have sufficient available funds so as to facilitate an exercise of the Options prior to the Expiry Date.</p> <p>Prior to the Expiry Date, investors' ability to liquidate the Options may be limited by a lack of liquidity in the trading of Options and Shares, and the price of the Shares. The Options offer no guaranteed income or capital protection.</p>
Risk	<p>The Company considers that an investment in the Options will have a different risk profile to a direct investment in Shares, including due to the fact that there is no obligation to exercise the Options prior to the Expiry Date.</p> <p>The Company considers that an investment in the Options is speculative, such that an investment in the Company is not appropriate for an investor who would not be able to bear a loss of some or all of the investment.</p> <p>Investors should also have a sufficient level of financial literacy and resources (either alone or in conjunction with an appropriate adviser) to understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.</p>

The Options are **not** suitable for investors:

- (a) who are not seeking to have the potential to increase their investment in the Company; and
- (b) who do not understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.

The Company has assessed the Options and formed the view that the Options, including the key attributes set out in Section 2, are likely to be consistent with the objectives, financial situation and needs of investors in the target market as described above in this Section 3.

4. Distribution Conditions

The Offer of Options under the Prospectus is being made to the following parties (together, the **Eligible Securityholders**):

- (a) in respect of the **Shareholder Offer**: Eligible Shareholders, being registered holders of Shares on the record date of 7.00pm (Melbourne time) on 2 November 2022, with a registered address in Australia or New Zealand, or a Permitted Foreign Jurisdiction; and
- (b) in respect of the **HYDO Optionholder Offer**: Eligible HYDO Optionholders, being those persons who were registered as holders of HYDO Options (Hydrix's class of listed 'HYDO' options exercisable at \$0.12 that expired at 5.00pm (Melbourne time) on 31 July 2022) at the record date of 4.59pm (Melbourne time) on 31 July 2022, with an address in Australia or New Zealand.

The Offer is fully underwritten by Baker Young Limited, which is also the lead manager of the Offer (**Underwriter** or **Lead Manager**). Any Eligible Securityholders' entitlements not taken up under the Offer will be taken up by the Underwriter, and any sub-underwriters of the Offer.

The Prospectus will include jurisdictional conditions on eligibility. The Company will also include on its website a copy of this TMD and require that retail investors confirm that they meet the eligibility criteria of the expected target market outlined in this TMD before they apply for Options.

The Company considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Company.

5. Review Triggers

The Loyalty Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which, the Options will no longer be available for investment by way of issue. It follows that the TMD will only apply in the period between the commencement of the Offer of the Options and the issue of the Options shortly after the close of the Offer (**Offer Period**), after which the TMD will be withdrawn.

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate to the Offer and should be reviewed, the following review triggers apply for the Offer:

- (a) there is a material change to the Options' key attributes that make them no longer consistent with the likely objectives, financial situation and needs of clients in the target market;

- (b) the Company lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;
- (c) the occurrence of a significant dealing in Options that is not consistent with this TMD, it being noted that the Company does not consider an on-sale of the Options on-market to be a significant dealing;
- (d) the Company identifies a substantial divergence in how the Options are being distributed and purchased from this TMD;
- (e) ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the Options or this TMD; and
- (f) there are material changes to the regulatory environment that apply to an investment in the New Options.

The Company may also amend this TMD at any time.

6. Review Period

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within five business days of the review trigger occurring.

The Company will otherwise complete a review of the TMD immediately prior to the issue of Options under the Offer.

Periodic reviews of the TMD will not occur during the Offer Period, noting that the Offer Period is (subject to any decision to extend) less than one month. If the Offer Period is extended for more than one month, the TMD will be reviewed on a monthly basis.

7. Information reporting

Reporting requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the Options.	<ul style="list-style-type: none"> ▪ For such time as the Offer Period remains open, within 10 business days after the end of each quarter. ▪ Within 10 business days after the end of the Offer Period. 	<ul style="list-style-type: none"> ▪ The number of complaints received. ▪ A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the Options that is not consistent with this TMD.	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	<ul style="list-style-type: none"> ▪ Details of the significant dealing. ▪ Reasons why the distributor considers that the significant dealing is not consistent with this TMD.
A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.	Within 10 business days after the end of the close of the Offer in accordance with the Prospectus.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

8. Contact details

Contact details in respect of this TMD for the Company are:

Ms Alyn Tai

Company Secretary

Telephone: +61 3 9321 9834

Email: Alyn.Tai@hydrix.com