



ASX Announcement

11 October 2023

The Manager
Company Announcements
Australian Securities Exchange

By electronic lodgement

CLEANSING NOTICE UNDER SECTION 708A(12C)(e) OF THE CORPORATIONS ACT 2001 (CTH)

1. This Cleansing Notice

Hydrix Limited ACN 060 369 048 (**Hydrix** or the **Company**) gives this cleansing notice (**Cleansing Notice**) under section 708(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as inserted by *ASIC Corporations (Sale Offers: Securities Issued On Conversion of Convertible Notes) Instrument 2016/82*.

As announced to the ASX on 31 July 2023, the Company is undertaking a capital raising through the issue of convertible notes (each at a face value of \$1.00), under which the Company has raised \$3.06 million (**Convertible Notes**). The Convertible Notes are convertible into fully paid ordinary shares in the capital of Hydrix (**Shares**), on the terms and conditions of the Convertible Notes. The \$3.06 million raised is comprised of:

- \$1.1 million of new capital from Directors Paul Lewis and Paul Wright, and major shareholder (and related party) John King, or their respective associated entities;
- \$0.46 million of new capital from other non-related party sophisticated / institutional investors introduced by the lead manager of the capital raising, Baker Young; and
- \$1.5 million of existing shareholder loans (from entities associated with Director Joanne Bryant and major shareholder John King) which have been rolled-over into the convertible note capital raising (shareholder loans outstanding on a pre-capital raising basis: \$1.75 million).

The capital raising is being undertaken in two tranches:

- (**Tranche 1**) the issue of 460,000 Convertible Notes to non-related parties (**Tranche 1 Investors**), which is not subject to shareholder approval, occurred on the date of this Cleansing Notice, being 11 October 2023, and
- (**Tranche 2**) the issue of 2,600,000 Convertible Notes to related parties (including Directors) (**Tranche 2 Investors**) is subject to shareholder approval under ASX Listing Rule 10.11, at the Company's 2023 annual general meeting.

The funds raised will be applied towards the Company's working capital requirements.

Baker Young acted as lead manager to the capital raising, and will receive fees of 6% of funds raised from investors introduced by Baker Young (excluding any funds raised from related parties). In addition, Hydrix will issue to Baker Young a maximum of 2 million options, on the basis of 2 new options (each with an exercise price of \$0.06, expiring 2 years from date of issue) for every \$1.00 raised by Baker Young. Issue of the options will be subject to shareholder approval under ASX Listing Rule 7.1, which the Company intends to seek at its 2023 annual general meeting.

The Tranche 1 Convertible Notes were issued by the Company on the date of this Cleansing Notice, 11 October 2023, without disclosure under Part 6D.2 of the Corporations Act. The issue of this Cleansing Notice enables the fully paid ordinary shares in the Company (**Shares**) to be issued by the Company on the conversion of the 460,000 Convertible Notes on the terms described below, to be on-sold to retail investors without further disclosure.

The Company gives notice that:

- (a) the 460,000 Tranche 1 Convertible Notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act (as modified).

Neither ASIC nor ASX take responsibility for the contents of this Cleansing Notice. The terms of the Convertible Notes are summarised in section 5 and Annexure A below.

This Cleansing Notice is important and should be read in its entirety.

2. No offer

This notice does not constitute an offer of any Convertible Notes for issue or sale, or an invitation to subscribe for or purchase any Convertible Notes, and is not intended to be used in connection with any such offer or invitation.

3. Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to all Convertible Notes:
 - (i) the effect of their issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:

- (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (B) the rights and liabilities attaching to the Shares; and
- (iii) other information relating to the Company's status as a disclosing entity.

4. The effect of the issue on the structure of the Company

4.1 Principal effect of the issue

The Company has raised a total of \$3,060,000 (before costs) from the Convertible Note capital raising. As described above, these funds comprise:

- (a) \$1,560,000 of new capital (comprising \$460,000 of new capital raised from the Tranche 1 Investors, and \$1,100,000 of new capital raised from certain Tranche 2 Investors); and
- (b) \$1,500,000 in existing shareholder loans which have been rolled-over into the Convertible Note capital raising (subject to shareholder approval under ASX Listing Rule 10.11).

On this basis:

- (a) the Company's cash reserves have increased by \$1,560,000 as a result of the Convertible Note capital raising; and
- (b) the Company's indebtedness has also increased by \$1,560,000 (noting that the \$1.5 million of shareholder loans which have been rolled over will continue to be characterised as debt, and will not increase the Company's existing indebtedness).

The maximum number of Shares that may be issued on conversion the Tranche 1 Convertible Notes is 30,666,667 (subject to rounding).

The maximum number of Shares that may be issued on conversion of the Tranche 2 Convertible Notes (assuming shareholder approval is obtained for the issue of these Convertible Notes) is 173,333,333 (subject to rounding).

4.2 Pro forma balance sheet

- (a) Set out below is a pro forma consolidated Statement of Financial Position of the Group as at 11 October 2023, based on the Group's audited consolidated Statement of Financial Position as at 30 June 2023, as adjusted to reflect the issue of the Convertible Notes.
- (b) The pro forma financial information has been prepared on the basis of the accounting policies normally adopted by the Company, and is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

Amounts in AUD\$'Ms	Statutory historical audited 30 Jun 2023 (1)	Impact of Convertible Note Facility (2)	Pro Forma (\$3.06M raised)
Current assets			
Cash and cash equivalents	1.153	1.560	2.713
Trade and other receivables	2.429	-	2.429
Contract assets	0.346	-	0.346
Prepayments	0.329	-	0.329
Inventory	0.020	-	0.020
Total current assets	4.277	1.560	5.837
Non-current assets			
Plant and equipment	0.308	-	0.308
Intangible assets	3.445	-	3.445
Financial assets at fair value through profit & loss	4.894	-	4.894
Right of use Assets	1.154	-	1.154
Other assets	0.075	-	0.075
Security deposits	0.425	-	0.425
Total non-current assets	10.301	-	10.301
Total assets	14.577	1.560	16.137
Current liabilities			
Trade and other payables	1.507	-	1.507
Contract liabilities	0.711	-	0.711
Other liabilities	0.004	-	0.004
Employee benefits	0.912	-	0.912
Derivative liabilities	0.001	-	0.001
Borrowings	1.369	(0.500)	0.869
Lease liabilities	0.855	-	0.855
Total current liabilities	5.360	(0.500)	4.860
Non-current liabilities			
Employee benefits	0.180	-	0.180
Provisions	0.177	-	0.177
Borrowings	1.000	-	3.060
Lease liabilities	1.507	-	1.507
Total non-current liabilities	2.865	2.060	4.925
Total liabilities	8.224	1.560	9.784
Net assets	6.353	-	6.353
Equity			
Issued capital	102.127	-	102.127
Reserves	0.678	-	0.678
Accumulated losses	(96.452)	-	(96.452)
Total equity	6.353	-	6.353

Notes to the pro forma consolidated statement of financial position

1 As reported in the financial statements for the year ended 30 June 2023.

2 Reflects the gross aggregate funds of \$3.06 million raised under the entitlement offer announced on 31 July 2023, being \$1.56m of newly invested cash and \$1.5m rollover of existing shareholder loans.

4.3 Potential effect on share structure

- (a) As at the date of this Cleansing Notice, the issued Share capital of the Company is 254,218,847.
- (b) The capital structure of the Company will be affected by the conversion of the Convertible Notes which will result in additional Shares being issued.
- (c) Redemption and conversion features of the Convertible Notes are explained in detail in section 5 and Annexure A below.
- (d) The maximum number of Shares which may be issued upon conversion of the 3,060,000 Convertible Notes is 204,000,000 Shares (subject to rounding).

5. Rights and liabilities attaching to Convertible Notes

A summary of the key terms of the Convertible Notes is set out in Annexure A.

6. Rights and liabilities attaching to Conversion Shares

Shares issued upon conversion of the Convertible Notes (**Conversion Shares**) to the holders of those notes (**Noteholders**) will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including new Conversion Shares, are set out in the Company's constitution (**Constitution**), and in certain circumstances regulated by the Corporations Act, the ASX Listing Rules and general law.

The Company intends to apply to the ASX for quotation of any Conversion Shares issued. Further details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected free of charge at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders of the Company (**Shareholders**).

Voting at a general meeting	At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.
Meetings of members	Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules.
Dividends	The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment
Transfer of shares	Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by a written instrument of transfer that complies with the Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. The Board may refuse to register a transfer of Shares where the transfer is not in registrable form, the Company has a lien over any of the Shares transferred, and where otherwise permitted to do so

	under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.
Issue of further shares	Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of further Shares on such terms and conditions as the Board resolves.
Winding up	If the Company is wound up, then subject to any rights or restrictions attached to a class of Shares, any surplus must be divided among the Company' members in proportion to the number of Shares held by them. The amount unpaid on Shares held by a member is to be deducted from the amount that would otherwise be distributed to that member.
Unmarketable parcels	Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.
Share buy backs	Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares in itself on terms and at times determined by the Board.
Variation of class rights	At present, the Company's only class of shares on issue is ordinary Shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled: • with the consent in writing of the holders of 75% of the issued shares included in that class; or • by a special resolution passed at a separate meeting of the holders of those shares.

7. Compliance with disclosure obligations

The Company is a "disclosing entity" under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market promptly and without delay any information which a reasonable person would expect to have a material effect on the price or the value of the Company's Shares.

The Company is also required to prepare and lodge with ASIC annual and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review report. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2023;

- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the financial report referred to in (a) above, and before the lodgement of this Cleansing Notice with ASX, is set out in the table below. All of these documents will be provided, free of charge, to any person on request.

Date	Headline
10/10/2023	Notification of cessation of securities - HYD
10/10/2023	Notification of cessation of securities - HYD
10/10/2023	Notification of cessation of securities - HYD
10/10/2023	Notification of cessation of securities - HYD
05/10/2023	Update on Avertix Medical Business Combination
05/10/2023	Pause in trading
25/09/2023	Investor Presentation
20/09/2023	Annual General Meeting and Director Nomination Closing Date
18/09/2023	Update - Proposed issue of securities - HYD
08/09/2023	Update - Proposed issue of securities - HYD
29/08/2023	FY2023 Letter from Executive Chairman
29/08/2023	FY2023 Results Announcement
29/08/2023	FY2023 Appendix 4E and Financial Report

8. No excluded information

As at the date of this Cleansing Notice, the Company advises that it has complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes and Shares.

Signed for **Hydrix Limited**:



Alyn Tai

Company Secretary

11 October 2023

Authorised for release by the Board of Hydrix Limited.

For personal use only

Annexure A – Terms of the Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the holders of the Convertible Notes (**Noteholders**)

Item	Term	Particulars
1.	Issuer or Company	Hydrix Limited
2.	Notes issued/to be issued	3,060,000 Convertible Notes (each a Note)
3.	Face Value	Each Note has a face value of \$1.
4.	Interest	Interest will accrue on the Face Value of an outstanding Note at a rate of 10% per annum. Interest will be payable to a Noteholder in cash, quarterly in arrears.
5.	Maturity Date	The Notes have a Maturity Date which is 24 months from the date of issue. A Noteholder may, in relation to some or all of its outstanding Notes, by written notice to the Company no later than 8 weeks prior to the Maturity Date, extend the Maturity Date for a period of up to 12 months from the Maturity Date. A Noteholder can only exercise this right once.
6.	Term	In relation to each Note, the period commencing the date of issue of the Note and ending on the Maturity Date.
7.	Conversion	Subject to this item 7 and item 12 (Takeover threshold and other limitations) of these Terms, a Note may be converted into Shares at the Conversion Price (Conversion Shares), upon the Noteholder submitting a written notice of conversion to the Company (Conversion Notice). The number of Conversion Shares will be determined by dividing the aggregate Face Value of the Notes being converted, by the Conversion Price. A Noteholder may only convert a minimum of 25,000 Notes on any particular occasion. If the Noteholder has, in total, less than 25,000 Notes, the Noteholder must convert all of its Notes at the same time.
8.	Conversion Price	The Conversion Price will be the lower of: (a) \$0.05; and (b) the lowest issue price of Hydrix shares under any equity capital raising completed by the Company between the issue date and the Maturity Date, subject to a minimum conversion price of \$0.015. If the Company consolidates or subdivides its issued share capital, the Conversion Price will be reduced or, as the case may be, increased, in the same proportion as the issued share capital of the Company is, as the case may be, consolidated or subdivided.
9.	Conversion Shares	The Conversion Shares will, upon issue, rank equally with all other fully paid ordinary shares on issue in the Company.

Item	Term	Particulars
10.	Redemption	Redemption on Maturity Date Subject to item 5, on the applicable Maturity Date, to the extent not already redeemed, the Company must redeem each outstanding Note by paying the Face Value of each Note to the Noteholder in cash. Early redemption by Company The Company may, during the period of 6 months prior to the Maturity Date, redeem an outstanding Note by giving notice to the Noteholder (Early Redemption Notice). If the Company gives an Early Redemption Notice to a Noteholder, the Noteholder will have the right, for a period of 5 business days from the date of the Early Redemption Notice, to convert the Note the subject of the Early Redemption Notice. Early redemption at request of Noteholder If the Company undertakes an equity capital raising between the issue date and the Maturity Date under which the issue price per Share is below \$0.015 (a Specified Capital Raising), it must provide notice to the Noteholders as soon as reasonably practicable (Capital Raising Notice). Each Noteholder will then have the right, for a period of 3 business days from the date of the Capital Raising Notice (Notice Period), to give written notice to the Company that the Company must redeem some or all of the outstanding Notes held by that Noteholder. A Noteholder can only exercise this redemption right once during the Notice Period.
11.	Redemption Amount	100% of the Face Value of a Note.
12.	Takeover threshold and other limitations	Where Company shareholder approval or any other approvals under the ASX Listing Rules, Corporations Act (including the takeover provisions in Chapter 6 of the Corporations Act) or other applicable law are required for an issue of Shares in connection with a Note, the Shares will not be required to be issued unless and until those approvals are obtained. Each Noteholder acknowledges that the Company is not required to perform any act or thing in relation to the Notes if that act or thing would cause the Company or any other person to breach the ASX Listing Rules, the Corporations Act or any applicable law. If required, the Company will use its reasonable endeavours to promptly obtain any necessary shareholder approvals for the purposes of ASX Listing Rule 7.1 or 10.11, or item 7 of section 611 of the Corporations Act, to permit the issue of Shares to a Noteholder.