hydrix

Services | Ventures | Medical

Annual Report 2023

hydrix

HYDRIX Limited
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We **create, invest in,** and **deliver** the innovation in breakthrough technologies

Services | Ventures | Medical

Gavin Coote

Executive Chairman

After a year of significant progress and achievement within the Company, I am pleased to present the Annual Report of Hydrix Limited for the fiscal year ending 30 June 2023.

Hydrix has continued to demonstrate its expertise in supporting our clients to innovate and develop world leading products. Continued focus on our strategic goals and meeting critical milestones has helped deliver strong growth and improved profitability over the year.

I would like to express my sincere gratitude to our dedicated employees, customers, partners, and our shareholders. The continued support and belief instilled in Hydrix's vision has been instrumental in our achievements to date and sets a strong platform for ongoing success.

Hydrix delivered significant business growth and improved financial results for the year

Revenue growth of 27% to $13.3 million

Within the $13.3 million revenues, Hydrix Services fee revenues grew 34% to $12.3 million largely attributable to international revenue growth of 35%. This growth is a testament to Hydrix Services' robust product development consulting business and the proven value we provide to our global customers.

Cash operating losses reduced by 34% (by $1.7m)

Our focus on sales growth, operational efficiency, and margin improvement with Hydrix Services, in particular, enabled the Group to reduce cash operating losses by 34%, amounting to $1.7 million, bringing the total down to $3.3 million.

Ventures NTA increased by 27% to $4.9 million

Hydrix Ventures' net tangible asset value increased by 27% to $4.9 million which is significantly above cash invested. Growth in value was attributable to equity earned in lieu of milestones and fair value appreciation.

Group net tangible assets increased to $2.9m (pcp - $1.3m)

To support the company's profitable growth, Hydrix Services entered into a $1.5 million revolving loan facility agreement, and after the financial year end, we completed a $3.1 million convertible note facility capital raising, receipting $1.6 million cash from existing and new shareholders and rolling-over $1.5 million of shareholder loans.

Innovation and new AI Products

Hydrix is a technology innovation company. We create, invest in and deliver innovation for customers and venture companies. Over the last 12 months, Hydrix Services made significant advancements for our clients developing world-first products, and in the last 3 months, we licensed two Artificial Intelligence (AI) software products.

Hydrix Services' highly specialised engineering and project team operates in the $2 billion outsourced product development consulting service market. Notable breakthrough client projects include:

- Non-invasive orthopaedic tool to improve hip replacement procedures
- Control devices for total artificial hearts and other active implantable mechanical circulatory system technologies
- Remotely operated robotics for endovascular intervention
- Non-invasive brain trauma injury monitoring; and
- Chromatography solutions used in mass spectrometry applications within the field of biological and medical research including in drug discovery.

Hydrix Ventures' portfolio of innovative companies achieved milestones during the year including:

- Avertix Medical, the developer of the world's first real-time heart attack alert device, commenced commercial sales in the USA and lodged an IPO to list on the NASDAQ in May 2023 (subsequently terminated on 4th October 2023) ; and
- Gyder Surgical's first-generation product, developed by Hydrix Services, was granted regulatory approval by the Australian Therapeutics Goods Administration (TGA) to market and distribute the product in Australia.

Six major steps in our **‘buy, build, invest’ strategy** to sustained profitable growth

01 Acquire HYDRIX Services

Secret Sauce

Acquire an established product development company that **creates** world-first products and innovation for MedTech clients

02 Establish HYDRIX Ventures

Value Capture

Attract and selectively **invest in** Hydrix Services clients to generate capital gains to fund strategic growth initiatives

03 Establish HYDRIX Medical

Growth Catalyst

Acquire IP and distribution rights to **deliver** disruptive technologies that improve management of cardiovascular disease

04 Build Medical Portfolio

Products Licensed

- Heart attack warning device
- Remote patient monitoring
- AI-based heart disease diagnosis

05 Group Revenue Growth

Multiple Streams

- **Services** profitable, revenues up 80% FY23 v FY21
- **Ventures** assets reaching milestones
- **Medical** commences initial revenues

06 Group Profitability

Target 2025

- **Services** growing revenues & profits
- **Ventures** assets approaching liquidity events
- **Medical** portfolio growing & generating recurring revenue

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Our Ventures’ strategy is to attract emerging, innovative product technology companies to become clients of Hydrix Services. The strategic financial objective is to subsequently generate venture capital gains that offer the potential for non-dilutive growth funding when venture companies reach liquidity events.

Hydrix Medical successfully entered into distribution agreements with two groundbreaking emerging AI MedTech companies:

- Implicity which aims to improve remote monitoring of pacemaker patients; and
- Echo IQ which aims to improve early detection of Aortic stenosis.

Hydrix Medical’s emerging portfolio of products shares a common industry knowledge base, customer, and sales channels and is expected to create recurring revenue streams and operational synergies. The positive initial response from marketing these products reaffirms our commitment to identifying and licensing disruptive third-party cardiovascular products for distribution.

Strategic Partnerships

Strategic partnerships continue to drive our success. Our MedTech alliances, in particular, generate multiple sources of revenue and profit, serving as long-term drivers of value creation for Hydrix shareholders.

Over the past year, we have established strategic alliances with industry leaders, research institutions, and startups. These partnerships have not only expanded our capabilities but also amplified our market reach and access to cutting-edge technologies. We firmly believe that these collaborations will further propel our growth and enhance our reputation as industry pioneers.

The synergistic relationship among Hydrix Services, Hydrix Ventures, and Hydrix Medical equips clients and partners with unique market insights and innovative real-world technological know-how, resulting in improved health outcomes, especially in addressing cardiovascular disease.

Hydrix specialises in developing products and providing services to enhance the management of cardiovascular disease, a condition affecting 14% of the global population and standing as the leading cause of death. Around 45% of Hydrix Services’ fee revenues, 100% of Hydrix Medical’s products, and 50% of the value of Hydrix Ventures are associated with enhancing cardiovascular health.

Outlook and Future Prospects

Management remains confident that we can further capitalise on the array of opportunities that lie before us. Our global pipeline of innovative product development projects remains robust, and we are well-positioned to capitalise on emerging global trends in cardiovascular health and other medical technologies. Our customer-centric solutions, operational excellence, and global strategic partnerships will continue to drive our growth trajectory.

We remain committed to navigating uncertainty caused by various global challenges and to delivering value to our shareholders.

Our goals for the next 12 months include the following:

- Hydrix Services to grow revenues more than 10% and more than double current profit levels
- Expand Hydrix Medical’s product portfolio and commence generating revenues
- Hydrix Venture companies continue to grow in value and achieve liquidity events; and
- Target Group operating cash flow breakeven in the September quarter of calendar year 2024.

I am excited about the journey ahead and the continued evolution of Hydrix. Together, we will seize opportunities, overcome challenges, and create a future that is brighter and more innovative than ever before.

Sincerely,

Gavin Coote
Executive Chairman

A group priority
Innovation in cardiac health

In **FY23** a significant proportion of our business achieved success in the cardiovascular health market including:

45% of Services client fee revenues came from cardiovascular technology companies e.g. total artificial heart control devices, vascular robotics

40% of Ventures asset value is cardiovascular technology i.e. Avertix GUARDIAN heart attack warning device

Medical products under distribution grew, adding 2 new platforms: remote patient monitoring and aortic valve disease diagnosis

Targeting large, addressable healthcare markets

Services

Targeting a $2B global outsourced product development market

Our focus is on the Medtech sector including cardiac, PoC, medical robotics and more.

Ventures

High potential early stage medical device companies

Strategic investments:

- A target of >5x cash multiple venture gains on funds invested
- Using liquidity events to fund growth initiatives

Medical

Cardiovascular disease (CVD) - the leading cause of death globally

Our focus is on:

- The >6B (2027) diagnostic & monitoring market
- Establishing recurring SaaS subscription revenues & device sales
- Acquiring IP to internally develop best of breed products

Hydrix creates

Extraordinary products & technologies that transform markets

Michael Trieu
General Manager
Hydrix Services

A year of strengthening

The past year marked a period of steady progress and consolidation for the Hydrix Services business, characterised by robust growth and a return to profitability. Throughout this time, we focused on enhancing our reputation and expanding the Hydrix brand's presence in key European markets, while establishing a more targeted position in the US market.

Noteworthy achievements included the successful recruitment of key talent in a fiercely competitive employment landscape. This infusion of expertise has bolstered our technical knowledge and market relevance, paving the way for the pursuit of larger, more sustainable, and well-funded international projects that will fuel our long-term growth. While we remain committed to maintaining our presence in the Australian market, our substantial business growth prospects lie in international endeavours.

hydrix services

Advancements in the cardiac market and exploration of new horizons

In the preceding year, a significant 45% of our Services business revenue was derived from cardiac and cardiovascular technology projects. This achievement is a testament to the expertise of our technical capabilities and the global recognition we have earned. Throughout the year, we worked to nurture and expand our market footprint, while progressing project collaborations with prominent Total Artificial Heart (TAH) companies like BiVACOR and Scandinavian Realheart. Furthermore, our support for the cardiac technology market was demonstrated through our continued sponsorship of events like the Heart Hackathon. This student-led artificial heart design challenge not only strengthens our presence in the research and education sector but also fosters relationships with future medical device innovators worldwide.

Beyond our achievements in the cardiac technology sector, we conducted strategic market research to guide our international market entry strategies, including initiatives like Point of Care (PoC) diagnostics. Our official campaign launch at the annual American Association of Clinical Chemistry (AACC) trade event drew strong levels of interest and engagement, resulting in numerous significant project opportunities now in our pipeline.

Cardiac (45%)
Medtech (39%)
Industrial (16%)

FY23 revenue by market
Hydrix Services

This page: Hydrix - developed Total Artificial Heart controller for Scandinavian Realheart.

International revenues were 56% of total Services revenues in FY23 up from 26% in FY21

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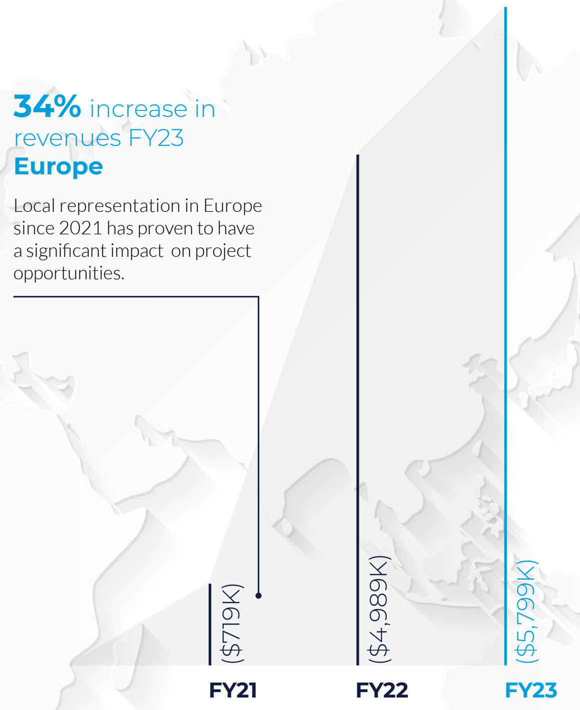
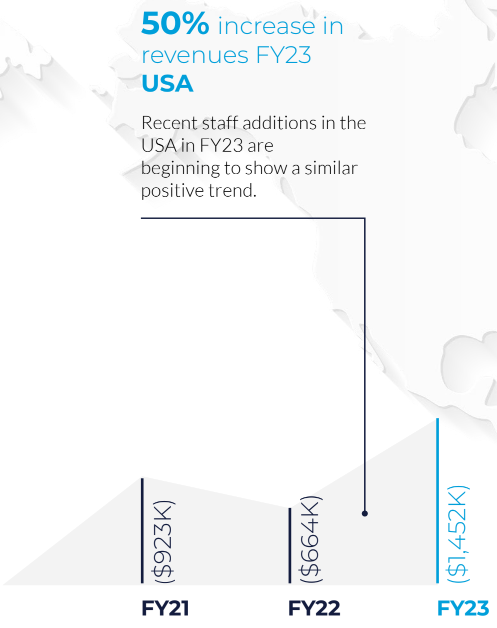
International market growth



01 : **Revenue growth Europe**



02 : **Revenue growth USA**

International markets are the source of sustained project growth. To secure business in these markets, a local presence is imperative.

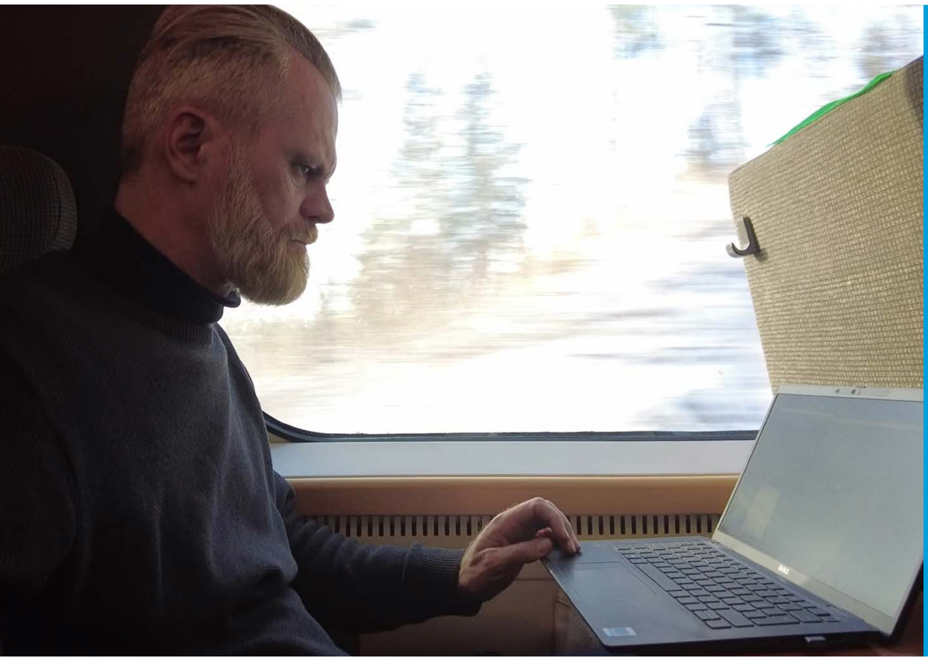
01 : Europe

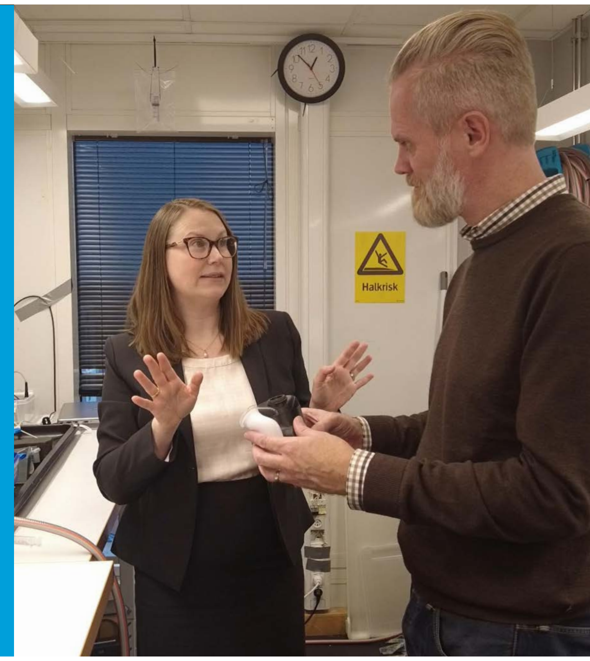
Since establishing our foothold in Europe, we have witnessed a 34% increase in project revenues. During this period, we established crucial relationships with new clients in several European countries, with a recent addition of a substantial German medical device client which we expect to result in a multi-year project. Our European project opportunities continue to flourish, signaling a promising future for Hydrix across the region.

02 : USA

Our team now boasts two US business developers representing Hydrix in cardiovascular, medtech, and In Vitro Diagnostics (IVD) PoC. This presence led to an impressive ~50% surge in project revenues over the past year, mirroring our European success. The launch of our PoC market strategy has been instrumental in generating a robust pipeline of new project opportunities.

In conclusion, this is an exciting time to be part of our company. We have received highly positive feedback from our clients, confirming our skills and our relevance to their evolving needs. While securing these larger projects demands more time and effort, the potential rewards over the years ahead are expected to be substantial and tangible.





Business development in Europe means being on the road constantly for trade shows, presenting at industry events, visiting with clients and always sharing the 'why Hydrix' story.

Hydrix invests in

High potential, early-stage medical device companies

Our Ventures and Medical portfolio strategy

01 02 03

Capturing more of the value we create beyond fee-for-services

Hydrix has made considered investments in clients where we are assisting them in the development of pioneering, cutting-edge technologies at the early stages of development. Through ongoing collaboration, these partnerships not only advance groundbreaking innovations but also serve as a magnet for new clients in search of product innovation expertise and investment opportunities. We specifically focus on clients with a development timeline of less than 5 years to commercialisation, aligning with our portfolio strategy. Our objective is to achieve capital gains exceeding 5 times the initial investment, enabling us to fuel further growth initiatives and support future innovations.

	01 **Avertix** (f/k/a AngelMed) avertix.com Manufacturer of the GUARDIAN, the world's only implantable heart attack detection system	02 **Gyder Surgical Limited** gydersurgical.com A surgical navigation system to assist surgeons position implants with greater accuracy during total hip arthroplasty	03 **Cyban Limited** cyban.com.au A non-invasive continuous tissue oxygen monitor measuring brain oxygen levels for patients in intensive care units
Book Value	**$1.89m**	**$1.77m** (plus $0.28m CN)	**$0.95m**
Company	Private*	Private	Private
Product	Gen 3 in market	Gen 1 market ready	Gen 1 in development
Regulatory	US FDA, SGP, MYS, THA	TGA (Apr 23), FDA~1HCY24	FDA CY24
Commence Sales	USA in Jan 22	~1HCY24	CY24/25

* Avertix announced on the 4th October that BIOS and Avertix have mutually agreed to terminate the business combination agreement. Accordingly, the proposed merger and listing on NASDAQ by the merged entity will not proceed at this time. Avertix has further advised that it intends to continue executing its business objectives as a private entity for now.

The net tangible asset value of the Ventures portfolio increased 27% to $4.89 million

hydrix ventures

Hydrix delivers

Disruptive technologies to improve management of cardiovascular disease

Vickie Edwards
Director Sales & Operations
Hydrix Medical

Pioneering partnerships and product launches

The year for Hydrix Medical was marked by significant achievements, high impact collaborations, and new product launches. Our trusted customer & industry relationships, commitment to technology innovation, and strategic partnerships, will enable us to become a market leader advancing the use of new cardiovascular medical technologies aimed at improving patient care.

Key Partnerships with Implicity and ECHO IQ

During FY23, we signed two pivotal agreements with new companies, Implicity and Echo IQ, helping to further establish our presence in the healthcare landscape across Australia, New Zealand, and Singapore. These partnerships grew our profile in the market for cardiovascular medical technologies, and will enable us to drive meaningful change in patient monitoring and care through the application of Artificial Intelligence.

The Implicity product is a remote patient monitoring and cardiac data management platform. It remotely monitors Cardiac Implantable Electronic Devices (CIEDs) such as pacemakers, defibrillators, loop recorders and cardiac resynchronisation products. Our target market is cardiology practices on a Software-as-a-Service (SaaS) basis, therefore no local installations required. The business model consists of a one-time installation fee plus an annual subscription based on number of patients monitored.

The EchoIQ EchoSolv platform analyses echocardiogram measurements to improve detection and diagnosis of patients at risk of structural heart disease. It is a Software-as-a-Medical Device (SaMD). A cloud-based technology, it uses proprietary AI to help identify patients at risk of structural heart disease including Aortic Stenosis. It is a flexible platform and can be applied retrospectively or in realtime on echocardiograms. More than 150,000 people in our distribution territory have moderate to severe aortic stenosis, which is likely to double over the next 25 years.

Product Launches at Prominent Cardiac Events

Hydrix Medical were prominent at several Cardiology congresses, meeting with and demonstrating these disruptive innovative products to the clinical cardiology teams.

Congresses attended included the Cardiac Society of New Zealand (CSNZ), the Cardiac Society of Australia and New Zealand (CSANZ) and the Asia Pacific Society of Cardiology (APSC) conference in Singapore.

Responses to the technologies across the region were universally positive, with significant interest in how AI-driven technologies are redefining patient care and improving patient outcomes across the region.

hydrix medical

The GUARDIAN regulatory approvals status

Country[1] / Agency - App. date	Status	
USA / FDA	Approved	Distributed in the USA by Avertix Medical
Australia / TGA - Jul 21	On hold	Withdrawn Feb 2023. To be resubmitted at later date.
Singapore / HSA - Aug 21	Approved Aug 22	Product launch in progress[3]
New Zealand / MMDSA[2] - Aug 21	Notified[2]	Developing go-to-market program
Malaysia / MOH - Dec 21	Approved Jun 22	Appointed MK Trimedic as Malaysian distributor
Thailand / Thai FDA - Oct 21	Approved Jun 23	Developing go-to-market program
Japan Application development is underway with Japan-based consultants		
Hong Kong Currently working with a local consultant on the regulatory strategy		
Indonesia Application subject to appointment of 3rd party sub-distributor		

1. Hydrix has exclusive rights to distribute the GUARDIAN in 8 APAC jurisdictions.
2. Medicines and Medical Devices Safety Authority (MMDSA). Notification of medical device information to the WAND database.
3. Patients can pay out of pocket for an implant. A TOSP application will be made for the next listing in CY25.

The GUARDIAN (Avertix Medical) update

We continue to progress the GUARDIAN through regulatory and reimbursement submissions in our markets. FY23 saw approval for the GUARDIAN in Thailand in June (21 months after submission), and updated approvals for the 6 year battery life in Singapore and Malaysia. We also appointed MK Trimedic as our Malaysian Distributor.

Work on obtaining reimbursement for the GUARDIAN in Singapore continued, crucial to making it more readily available to all Singaporeans through both the public and private sectors.

We also continued to work with local regulatory experts and consultants in Japan and Hong Kong in preparation for regulatory submissions in those countries.

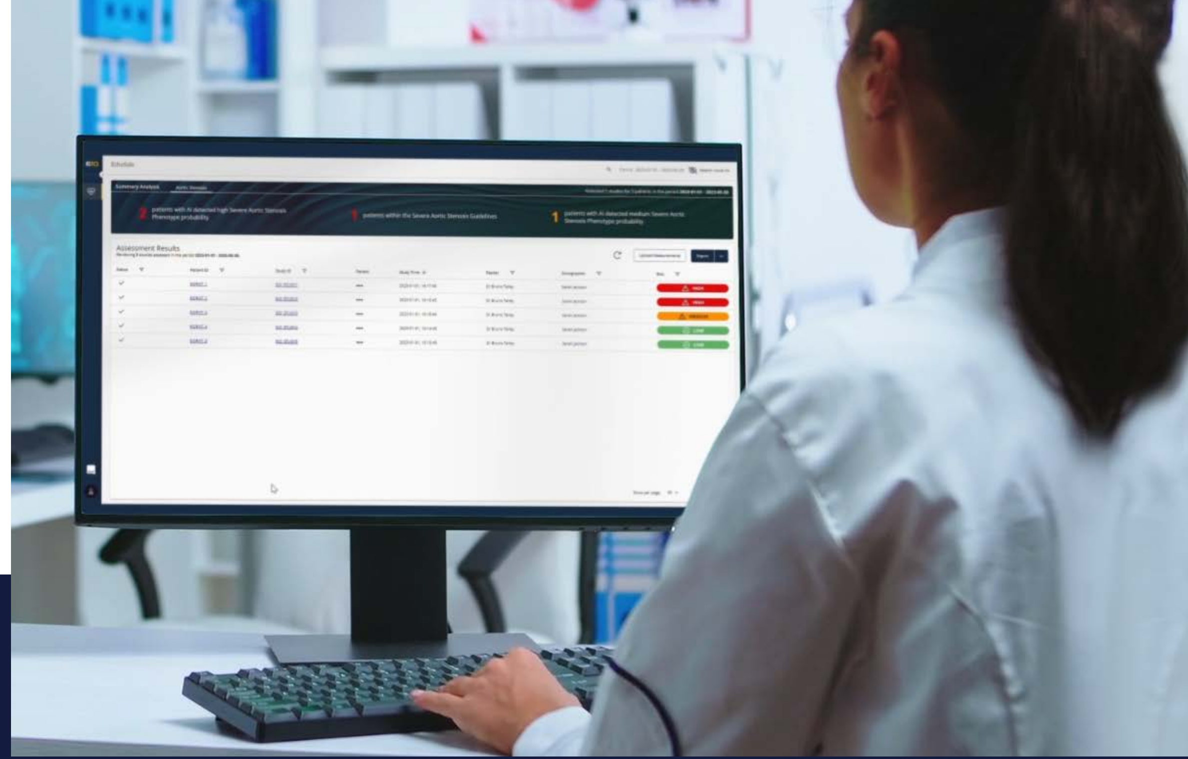
In conclusion, both the Implicity and EchoSolv agreements expand and diversify the Hydrix portfolio, while sharing a common industry knowledge base, customers, and sales channels. These new products accelerate the path to recurring revenue streams and are anticipated to soon deliver growth and operational synergies.

They also allow us to introduce game-changing innovations in remote monitoring while embracing the rise of AI in healthcare to improve patient outcomes and reduce the burden on overloaded medical providers.

Hydrix Medical finalised two new AI product distribution agreements

Two new products launched in 2023

AI technologies enhancing cardiac care



01

implicity®

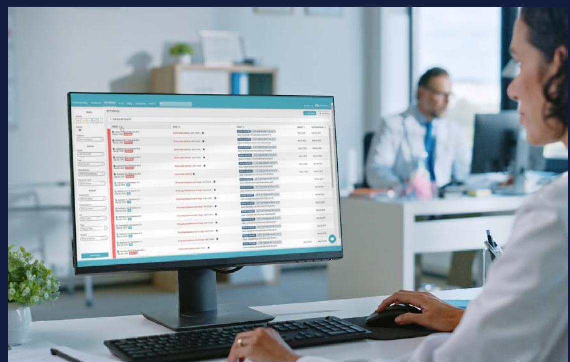
SMART REMOTE MONITORING

Described as the Gold Standard in AI Remote Cardiac Monitoring, the French technology Implicity enables remote monitoring and management of cardiac patients, using AI and digital technology to improve the quality of care and patient outcomes.

Implicity's platform helps healthcare providers and physicians monitor and analyse data from a large range of cardiac devices, such as pacemakers and defibrillators. AI algorithms assist in identifying relevant clinical events and trends, which can lead to more timely interventions and better patient care.

The ability of this AI-driven technology to aggregate data from all cardiac electronic implantable devices, regardless of vendor, enables significant efficiencies across clinics, from rapidly identifying alerts in patients to improving billing and invoicing cycles.

The Implicity distribution agreement supports our mission to improve the management of cardiovascular disease, helps accelerate momentum with revenue-ready products and demonstrates market demand for our distribution capability from emerging medtech companies.



Applying AI to transform the landscape of cardiac remote monitoring.

>65K patients to monitor remotely

Distribution: AUS, NZL, SGP

Revenue Type: Annual subscription revenue

Status: Available for sale

02

EchoSolv™

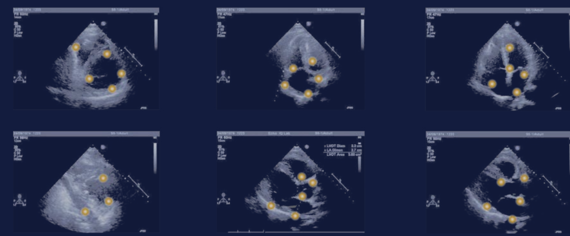
EchoSolv is an Australian developed cloud-based decision support software. It provides an AI-powered risk assessment of structural heart disease, potentially identifying at-risk patients who may benefit from further referral, while reducing the risk of misdiagnosis.

EchoSolv gives physicians access to an easy-to-use dashboard, adjustable alerts, and a deeper view of risk probability to support earlier identification of mortality-risk in patients who might benefit from therapeutic intervention or more proactive vigilance.

This proprietary digital (cloud-based) solution is backed by the latest in medical technology, AI and machine learning. The innovative diagnostic tool is designed to show probability indicators for structural heart disease using echocardiographic measurement data from a standard cardiothoracic ultrasound and will analyse this data to generate a risk indicator.

EchoSolv also provides extra layers of protection to reduce the risk of negative reputation or litigation risks because of missed diagnosis, not only protecting patients, but protecting doctors and healthcare workers too.

EchoSolv is the type of disruptive and innovative cardiology solution which we believe will help clinicians improve patient outcomes and healthcare system efficiency. The product is market-ready, providing an immediate opportunity to help address an unmet need and generate revenues.



AI-powered technology to enhance the diagnosis of structural heart disease.

1m echocardiograms p.a.

Distribution: AUS, NZL, SGP

Revenue Type: Commission on sales

Status: Available for sale

Improving patient outcomes: The rise of AI in healthcare

Paul Kelly
General Manager
Cardiac Product Strategy
Hydrix Medical

At Hydrix Medical, we continue to seek out and evaluate the latest AI technologies and devices, with a specific focus on revolutionising the management of cardiovascular diseases. Our commitment extends from individual patient care to advanced patient management platforms for healthcare facilities.

A system under pressure

One area of focus is the global and local shortage of qualified medical staff and hospital beds, notably evident in the Australian healthcare landscape through the frequent queuing of ambulances, known as 'ramping,' outside hospitals as they wait to transfer patients to the care of hospital staff. Unfortunately, most hospitals, including their Emergency Departments, are grappling with severe bed shortages and to free up beds, there's an urgent need to identify patients for early discharge, some of whom are still in the sub-acute phase and require close monitoring.

Seeking the best AI powered solutions

Hydrix Medical is currently identifying and evaluating novel products that can be deployed outside traditional hospital settings while providing the same level of monitoring and information typically available through inpatient care. These platforms enable patients to participate in a 'hospital in the home' program, where wearable medical devices continuously transmit data back to a hospital unit. This continuous data stream enables medical teams to maintain real-time assessments of patients' conditions.

In tandem with these devices, we are assessing AI-powered software solutions that can evaluate patients' physiological conditions, enabling hospital staff to make informed decisions regarding their management. We are also exploring the potential of groundbreaking patch technologies, which offer near real-time data upload and analysis, providing cardiologists with rapid and highly accurate evaluations of patients' ECGs.

Throughout this process, we tap into our extensive network of connections within major hospitals to facilitate technology assessments and offer valuable insights to support business case evaluations.

Hydrix Medical remains dedicated to introducing disruptive cardiovascular care technologies that enhance patient care and address the evolving challenges faced by the healthcare industry.

We are committed to ongoing expansion and growth in this business segment, and envisage a profitable future generated from a larger portfolio of innovative cardiovascular products.

Our company

Cultivating a compelling company culture

In today's fiercely competitive job market, the task of finding and retaining the best staff has become more challenging than ever. Cultivating a compelling company culture creates a sense of pride among employees, who then become company brand ambassadors, sharing their positive experiences, and helping to attract exceptional professionals.

Over the past year, Hydrix has been building its brand visibility as leaders in our field, highlighting our reputation for excellence developing and delivering high-quality, life-changing products. The effectiveness of our efforts is measured through various metrics including employee satisfaction.

For our FY23 employee survey, our results were outstanding. 100% of our employees actively participated in the survey, with this comprehensive engagement highlighting a continued upward trend, and the average level of positive responses increasing to a record high.

This momentum was in turn reflected in client satisfaction surveys, that confirmed an engaged and committed team delivering high value outcomes.

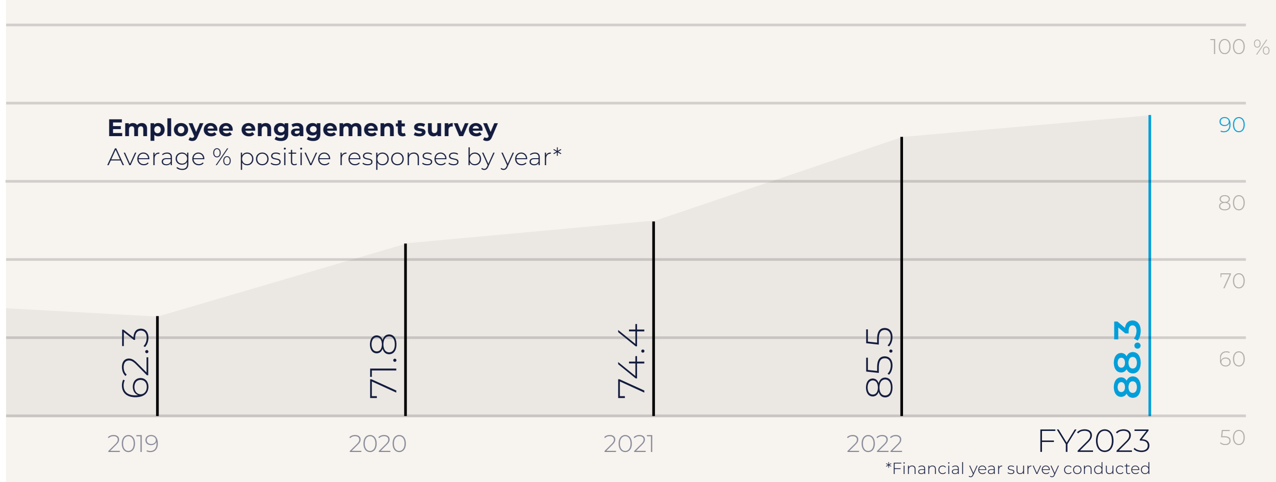
Our values

Unleash our potential

Be courageous

Champion innovation

Exceed expectations



This page: Vickie Edwards and Deb White at the CSANZ Conference in Adelaide. Hydrix at the AACC Conference in USA.
Opposite page: L to R - David Pritchard, Rian Veale, Archana Sathivelu & Julian Gyngell received the John King Service Recognition Award

Corporate directory

Directors	Mr Gavin Coote (Executive Chairman)
	Ms Joanne Bryant (Non-Executive Director)
	Ms Julie King (Non-Executive Director)
	Mr Paul Lewis (Non-Executive Director)
	Mr Paul Wright (Non-Executive Director)
Company Secretary	Ms Alyn Tai
Registered Office	30-32 Compark Circuit Mulgrave VIC 3170 Phone: (03) 9550 8100
Principal place of business	30-32 Compark Circuit Mulgrave VIC 3170
Share register	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Solicitors	Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000
Stock Exchange Listing	Hydrix Limited's shares are listed on the Australian Securities Exchange (ASX code: HYD)
Websites	www.hydrix.com
Country of incorporation and domicile	Australia

Financial statements

For the year ended 30 June 2023
ABN: 84 060 369 048

General information

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
30-32 Compark Circuit Mulgrave VIC 3170	30-32 Compark Circuit Mulgrave VIC 3170

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2022. The directors have the power to amend and reissue the financial statements.

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hydrix Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were directors of Hydrix Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Gavin Coote
Executive Chairman

Appointed as Non-Executive Director 12 January 2017; appointed as Non-Executive Chairman 28 March 2017; appointed as Executive Chairman 1 January 2020

Mr Coote brings 25+ years executive leadership in corporate and financial strategy, and private equity. His experience includes 5 years with PricewaterhouseCoopers in Australia and the USA, a decade in technology mergers & acquisitions, corporate development, and venture investing in the United States, and fifteen years in Australian private equity in various sectors healthcare, industrial and residential construction materials, leisure and hospitality, and sports and entertainment.

He has played significant roles in several turnaround and acquisition-led growth strategies culminating in successful trade sales. These include NASDAQ-listed Platinum Technology Inc., where revenues grew from $100 million to over $1 billion in 4 years driven by organic revenue growth and 40+ acquisitions, and eventually sold to CA Technologies for $3.5 billion, and several above-average SME private-equity exits.

Gavin has a Bachelor of Economics & Politics (Accounting) from Monash University, a Masters of Business Administration from University of Michigan, and is a Graduate of the Australian Institute of Company Directors.

Joanne Bryant
Non-Executive Director

Appointed 29 November 2016

Ms Bryant brings more than 40 years' of experience in the health sciences as an occupational therapist, trainer and vocational specialist. Currently, she is using this expertise to provide forensic opinion as a vocational specialist to the Victorian court system in addition to running a small clinical practice. She has worked for many years as an approved Rehabilitation Provider, providing injury management services to both Commonwealth and State organisations.

Ms Bryant is a Member of the Australian Association of Occupational Therapists and a member of the GriefLine Board. She also manages a small privately owned investment company.

Julie King
Non-Executive Director

Appointed 28 March 2017

Ms King holds a Bachelor of Commerce degree from the University of Melbourne. With 40 years' experience in various industries including utilities, maritime, airline, banking and FMCG, she is a specialist in commercial negotiations and leading high performance leadership and culture programs.

Ms King currently operates a private investment company and the King family philanthropic foundation. She is a Graduate of the Australian Institute of Company Directors.

Paul Lewis
Non-Executive Director

Appointed 28 October 2021

Mr Lewis started his career in technology leadership for companies including Mobil Oil Corporation, ICL and as Managing Partner for PA Consulting, Asia. Paul retired from the Board of the Magellan Financial Group in 2021 after 15 years where he served as Director from its inception and was also a member of British Telecom's Global Advisory Board from 2003 to 2009.

Paul was Chair of NAB Private Advisory Board from 2008 to 2013, and for 14 years was Deputy Chair of the Australian British Chamber of Commerce – for which he received an MBE in 2019 for services to bilateral trade.

He is currently Chair of ipSCAPE Limited, the recent Chair of GWS GIANTS Foundation, and for 8 years was on the Board of Cure Cancer. Paul is a Fellow of the Australian Institute of Company Directors.

Paul Wright
Non-Executive Director

Appointed 8 August 2018

Mr Wright spent 18 years as CEO of three of Australia's leading international technology companies. At ASX-listed Universal Biosensors ("UBI"), Paul built long term partnerships with global diagnostics leaders Siemens Healthcare and Johnson & Johnson, and led the company through a period of strong growth and new product development.

Before UBI, Paul was CEO of Invetech (1999-2007), an internationally renowned product design and development company, and Vision BioSystems (2007-2008), the major subsidiary of ASX-listed Vision Systems Limited that developed, manufactured and marketed diagnostic instruments and consumables to pathology laboratories worldwide.

Prior to this, Paul spent over 8 years working in Europe, North America and Asia with corporate strategy consultants Bain & Company, advising multi-national clients on growth strategy, mergers and acquisitions, and manufacturing improvement. As General Manager of Corporate Development at TNT Logistics, Paul played a key role in the development of a major contract logistics business in Asia establishing Joint Venture businesses in China, Malaysia, and Indonesia.

Paul has a Masters Degree in Engineering from the University of Cambridge, has studied corporate finance at the London Business School, and is a Fellow of the Australian Institute of Company Directors.

Directors' report

Other current directorships

Paul Wright is a director of Memphasys Limited (ASX: MEM).

Company secretary

Ms Alyn Tai LLB (Hons) has held the role of Company Secretary since June 2016. She is a Partner with law firm Holding Redlich specialising in corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board of Directors' Meetings		Nomination and Remuneration Committee*		Audit and Risk Committee*	
Director	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr Gavin Coote	16	16	4	4	4	4
Ms Julie King	16	16	4	4	4	4
Ms Joanne Bryant	15	16	4	4	4	4
Mr Paul Wright	16	16	4	4	4	4
Mr Paul Lewis	16	16	4	4	4	4

Held: represents the number of meetings held during the time the director held office.

*Mr. Gavin Coote and Mr. Paul Lewis are not members of the ARC and NRC. They attend by invitation.

Interest in the shares and options of the company

At the date of this report, the relevant interests of directors in the company's securities were:

Director	No. of Ordinary Shares	No. of Options	No. of Performance Rights
Mr Gavin Coote (i)	5,250,000	1,779,970	4,500,000
Ms Julie King (ii)	26,273,145	2,500,000	-
Ms Joanne Bryant (iii)	-	446,882	-
Mr Paul Wright (iv)	2,027,673	661,526	-
Mr Paul Lewis (v)	16,583,334	6,081,598	-

The directors' relevant interests in the company's securities shown above are as follows:

(i) Mr Gavin Coote has a relevant interest in 5,250,000 fully paid ordinary shares, which are held as follows:

a. 4,778,502 fully paid ordinary shares are held by Beachridge Advisory Services Pty Ltd as Trustee for the Coote Family Discretionary Trust

b. 471,498 fully paid ordinary shares are held by a custodian as registered owner on behalf of the Coote Family Super Fund.

In addition, Gavin Coote has a relevant interest in 1,779,970 options and 4,500,000 performance rights.

(ii) Ms Julie King has a relevant interest in 26,273,145 fully paid ordinary shares, held by John W King Nominees Pty Ltd.

In addition, Julie King has a relevant interest in 2,500,000 options.

Interest in the shares and options of the company (continued)

(iii) Ms Joanne Bryant has a relevant interest in 2,552,577 fully paid ordinary shares, which are held as follows by JBB Superannuation Pty Ltd as truste

a. 2,362,577 fully paid ordinary shares are held by ELG Nominees Pty Ltd as trustee for the Gude Family No. 3 A/C

b. 190,000 fully paid ordinary shares are held by JBB Superannuation Pty Ltd as trustee for the JBB Super Fund A/C

In addition, Joanne Bryant has a relevant interest in 446,882 options.

(iv) Mr Paul Wright has a relevant interest in 2,027,673 fully paid ordinary shares, which are held by a custodian as registered owner on behal

In addition, Paul Wright has a relevant interest in 661,526 options.

(v) Mr Paul Lewis has a relevant interest in 16,583,334 fully paid ordinary shares, which are held as follows:

a. 8,291,667 fully paid ordinary shares are held by a custodian as registered owner on behalf of PAJ Lewis Super Fund.

b. 8,291,667 fully paid ordinary shares are held by a custodian as registered owner on behalf of PAJ Lewis Trust.

In addition, Paul Lewis has a relevant interest in 6,081,598 options.

Principal activities

The principal activities of the consolidated entity during the year were providing product design, engineering, development and regulatory consulting services to clients in the medical technology sector, marketing disruptive cardiovascular product technologies and making venture investments in high potential early-stage medtech companies.

The consolidated entity operates three wholly owned subsidiary entities:

Hydrix Services delivers world first products and innovation across the medtech and cardiac market sectors. It offers a comprehensive range of engineering, development and regulatory consulting services including software, electronics, mechanical, industrial design, and general product development services. Its product development and consulting services range from applied research through all stages of engineering design, development, prototyping, manufacturer management, certification process management and supply for global markets.

Hydrix Medical distributes disruptive cardiovascular technologies that address unmet needs for patients and healthcare providers. Products include the Guardian real-time heart attack warning system from Avertix Medical, Implicity's cloud-based AI-driven remote cardiac patient monitoring and data management solution, and Echo IQ's AI technology that automatically analyses echocardiographic measurements to improve the detection and diagnosis of patients at high risk of structural heart disease. These products are pre commercial revenue and being distributed by Hydrix under distribution license agreements across Australia and various Asia Pacific jurisdictions.

Hydrix Ventures selectively invests in high potential Hydrix Services medtech clients to generate equity capital gains. Current portfolio companies include Gyder Surgical Pty Ltd (orthopaedic surgical tool used in hip replacement surgeries), Avertix Medical (fka AngelMed) (implantable heart attack warning system), Memphasys Limited (Bio-separation system used in IVF procedures), and Cyban Pty Ltd (non-invasive brain trauma injury monitoring device). For each of these clients, Hydrix Services provides arm's-length product design and development consulting services.

The consolidated entity has approximately 70 employees and its headquarters are located in Mulgrave, Victoria Australia.

Dividends

No dividends have been paid or declared since the start of the period and the directors do not recommend the payment of a dividend in respect of the period.

Directors' report

Review of operations

The primary revenue derived and operational expense activity of the consolidated entity for the year was by Hydrix Services, achieving 27% year-on-year revenue growth (excluding other non-recurring income). This growth was primarily attributable to increased marketing and business development and increased demand from existing and new clients. Hydrix Services reported a profit for the year, a significant improvement over the prior year, which was attributable to increased revenues, margins and operating efficiencies. To support Hydrix Services business expansion into the USA, the consolidated entity incorporated a USA legal entity, Hydrix DE LLC during the year. That entity employed two employees in business development during the year.

Hydrix Medical continued market development and distribution of disruptive cardiovascular technologies that are under license arrangements with strategic partners. Revenues selling cardiovascular technologies is anticipated to commence in FY2024 and be a growth catalyst for the consolidated

During the year, Hydrix Medical entered into two new marketing and distribution arrangements:

- Implicity: an AI-driven remote patient monitoring platform technology that transforms and aggregates data from all cardiac electronic implantable devices, regardless of vendor. Allowing a single point of reference for practitioners that provides real-time data in a visual and intuitive interface, the tool will significantly improve the efficiency and effectiveness of care for patients and their physicians.
- Echo IQ: a proprietary artificial intelligence technology that aims to help identify patients at risk of structural heart disease. A cloud-based decision-support software, powered by Artificial Intelligence and Machine Learning, it aims to provide physicians with a reliable tool to identify patients at-risk of structural heart disease who may benefit from further referral. This software will improve the current standard clinical workflow associated with diagnosis and treatment.

Hydrix Medical's emerging portfolio of products share a common industry knowledge base, customer, and sales channel and are expected to create recurring revenue streams and operational synergies.

Hydrix Medical continued regulatory approvals for the Guardian heart attack warning system from Avertix Medical (formerly known as Angel Medical Systems). Regulatory approval has been obtained in Malaysia, Singapore and Thailand and a sub-distributor appointed for Malaysia. Regulatory approval processes have commenced in Japan and Hong Kong. In February 2023, Hydrix Medical announced the withdrawal of its regulatory application with the Australian Therapeutic Goods Administration (TGA). Hydrix Medical intends to resubmit an application at a future date as more clinical data becomes available. As a result, an impairment of $522,939 was recognised on the distirbution rights for the Guardian, see Note 10.

The Avertix Guardian continuously monitors a patient's heart signal 24/7 uniquely against the patient's own baseline heart signal. It is the world's only FDA-approved, implantable cardiac monitoring device able to alert patients in real-time of an impending Acute Coronary Syndrome (ACS) event, including asymptomatic heart attacks.

Hydrix Ventures net tangible asset (NTA) value increased by approximately $1.0 million or 27% to $4.9 million during the year. The increase was derived from $0.4 million equity in-lieu of milestones achieved in product development and the TGA regulatory approval for Gyder Surgical's first generation product, and $0.6 million arising from Gyder Surgical and Avertix Medical capital raising revaluation events.

Review of financials

The consolidated entity recorded total revenue from contracts with customers of $13,156,572 for the year ended 30 June 2023, a 27.4% increase over the prior year period ($10,325,017), primarily attributable to Hydrix Services. Total income from operations of the consolidated entity was $14,121,482 inclusive of $812,480 of non-recurring other income.

The consolidated entity loss before income tax decreased by 93% year-on-year to $396,926 (2022: $5,546,389). The improved operating result is primarily attributable to the following:

- improved financial performance of the Services business;
- release of $0.8 million non-cash and non-recurring provision for consulting services which expired during the period;
- release of $2.9 million of non-cash and non-recurring contingent consideration relating to the acquisition of the Guardian distribution rights which expired during the period; and
- recognition of $0.5 million non-cash intangible asset impairment in the first half relating to the distribution rights for the Avertix Guardian arising from the withdrawal of the TGA regulatory application.

Net cash used in operating activities to support the growth and expansion of the consolidated entity was $2,734,482 (2022: $6,124,447). The primary factor for the $3.4 million year-on-year improvement was a $4.3 million increase in cash received from customers to $14.1 million (2022: $9.8 million), which was offset by a $0.9 million increase in payments to suppliers and employees to support revenue growth in Hydrix Services and market development and expansion by Hydrix Medical.

Review of financials (continued)

In September 2022, the consolidated entity raised $3,366,483 through an entitlement offer issuing 56,106,817 shares of new common stock priced at $0.06 per share. A further $252,329 was raised through subscription funds for 50,465,823 HYDOB Loyalty Options at $0.005 per option. All HYDOB options have an exercise price of $0.12 and an expiration date of 31 December 2023.

In April 2023, Hydrix Services entered into a $1.5 million revolving loan facility agreement with Tradeplus24 Australia Pty Ltd ("TP24") to support revenue growth and working capital requirements. At 30 June 2023, $575,000 was drawn under the facility.

The consolidated entity's cash position was $1,153,080 at 30 June 2023.

Outlook

The business prospects for the consolidated entity remain strong. Goals for the next 12 months include the following:

- Hydrix Services to grow revenues by 10%, and more than double current profit levels;
- Expand the Hydrix Medical product portfolio and commence generating revenues;
- Hydrix Venture companies continue to grow in value and achieve liquidity events; and
- The consolidated entity to reach operating cash flow breakeven commencing the September quarter of calendar year 2024.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Arrangement of convertible note facility

In August 2023, the consolidated entity completed a $3.1m convertible note facility arrangement, receipting $1.6m in cash and rolling over $1.5m existing shareholder loans (refer Appendix 4C ASX announcement 31 July 2023).

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The current consolidated entity's principal activities will continue for the next financial year ending 30 June 2024.

Environmental regulation

The consolidated entity's operations are subject to environmental regulations under the law of the Commonwealth and State. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Directors' report

REMUNERATION REPORT (Audited)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Details of key management personnel
- Remuneration philosophy
- Details of remuneration

Details of Key Management Personnel

Mr Gavin Coote

Non-Executive Chairman - Appointed 28 March 2017, Executive Chairman - Appointed 1 January 2020

Ms Julie King

Non-Executive Director - Appointed 28 March 2017

Ms Joanne Bryant

Non-Executive Director - Appointed 29 November 2016

Mr Paul Wright

Non-Executive Director - Appointed 8 August 2018

Mr Paul Lewis MBE

Non-Executive Director - Appointed 28 October 2021

Remuneration Philosophy

The performance of the company depends on the quality of the company's directors, executives and employees and therefore the company must attract, motivate and retain appropriately qualified industry personnel.

The remuneration policy of the company has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the company is as follows:

- The remuneration policy has been developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants where required.
- All KMP receive a base salary, superannuation, options (subject to shareholder approval in the case of directors) and performance incentives.
- Performance incentives are only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Nomination and Remuneration Committee reviews KMP packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

The Board has established a formal Nomination and Remuneration Committee which operates under the Nomination and Remuneration Committee Charter approved and adopted by the Board.

The Nomination and Remuneration Committee reviews remuneration packages and practices applicable to the senior executives and the Board. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Nomination and Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.

Remuneration Philosophy (continued)

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the performance of the consolidated entity. All bonuses and incentives must be linked to predetermined performance criteria. The Nomination and Remuneration Committee may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

The employment terms and conditions of KMP are formalised in contracts of employment or consultancy agreements.

In accordance with the company's Constitution, the aggregate remuneration that can be paid to the company's Non-Executive Directors is $500,000 per annum, and the Board determines how this aggregate amount should be divided among individual directors and in what proportions.

Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors. A director may also be paid additional amounts as fees or as the directors determine where a director performs extra services or makes any special exertions, which in the opinion of the directors are outside the scope of the ordinary duties of a director.

Details of remuneration

Mr Gavin Coote - Executive Chairman

Term and termination

Mr Coote's appointment as Executive Chairman was effective on 1 January 2020, and continues on an ongoing basis under a services agreement between Mr Coote and the company. Either the company or Mr Coote may terminate the services agreement with 6 months' notice (other than by the company for cause).

Remuneration

Mr Coote's total fixed remuneration for his executive services under the employment agreement is $360,000 per annum (inclusive of superannuation). Mr Coote's remuneration for his executive services is in addition to the fee of $83,000 per annum (inclusive of superannuation) that Mr Coote is currently entitled to receive (and will continue to receive) for his roles and responsibilities as Chairman and Director of the Company.

Restraints

Mr Coote must not, during his employment, except with the written consent of the company, engage in (directly or indirectly) any undertaking or business of a similar nature to, or in competition with, the business of the company. In addition, certain non-compete and non-solicit restraints apply to Mr Coote for a period of 12 months after termination of his employment with the company.

Ms Julie King - Non-Executive Director

i. Fixed remuneration – The base remuneration is $48,000 per annum plus $10,000 per annum for the role of Chairperson of the Nomination and Remuneration Committee (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms King is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

Ms Joanne Bryant - Non-Executive Director

i. Fixed remuneration – The base remuneration is $48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms Bryant is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

Mr Paul Wright - Non-Executive Director

i. Fixed remuneration – The base remuneration is $48,000 per annum plus $10,000 per annum for the role of Chairperson of the Audit and Risk Committee (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Mr Wright is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts).

Directors' report

REMUNERATION REPORT (Audited) (Continued)

Mr Paul Lewis - Non-Executive Director

i. Fixed remuneration – The base remuneration is $48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Mr Lewis is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts).

Engagement of remuneration consultants

During the financial year no external consultants were engaged to review the remuneration and provide recommendations relating to KMP.

Remuneration details for the year ended 30 June 2023

The following tables detail, in respect to the financial year, the components of remuneration for each member of KMP of the company:

Table of benefits and payments for the year ended 30 June 2023

	Short-term benefits		Post-employ. benefits	Long-term benefits	Share-based payments		
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled rights	Total
Directors	$	$	$	$	$	$	$
Mr Gavin Coote	327,045	83,000	34,208	5,318	-	218,027	667,598
Ms Julie King	-	52,489	5,511	-	-	-	58,000
Ms Joanne Bryant	-	43,439	4,561	-	-	-	48,000
Mr Paul Wright	-	52,489	5,511	-	-	-	58,000
Mr Paul Lewis	-	48,000	-	-	-	-	48,000
Total	327,045	279,417	49,791	5,318	-	218,027	879,598

Table of benefits and payments for the year ended 30 June 2022

	Short-term benefits		Post-employ. benefits	Long-term benefits	Share-based payments		
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled rights	Total
Directors	$	$	$	$	$	$	$
Mr Gavin Coote[1]	414,902	-	32,568	5,772	-	204,270	657,512
Ms Julie King	-	52,727	5,273	-	-	-	58,000
Ms Joanne Bryant	-	43,636	4,364	-	-	-	48,000
Mr Paul Wright	52,727	-	5,273	-	-	-	58,000
Mr Paul Lewis[2]	-	29,091	2,909	-	-	-	32,000
Total	467,629	125,455	50,386	5,772	-	204,270	853,512

[1] Short-term salary benefits payable to Mr Coote include $83,000 for work performed in his role as director.
[2] Mr Paul Lewis was appointed to the board on 28 October 2021.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Directors	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Mr Gavin Coote	67%	69%	-	-	33%	31%
Ms Julie King	100%	100%	-	-	-	-
Ms Joanne Bryant	100%	100%	-	-	-	-
Mr Paul Wright	100%	100%	-	-	-	-
Mr Paul Lewis[1]	100%	100%	-	-	-	-

[1] Mr Paul Lewis was appointed to the board on 28 October 2021.

Share-based compensation

Issue of shares

Details of shares issued to directors and other KMP as part of compensation during the year ended 30 June 2023 are set out below:

Name	Date	Shares	Weighted Average Issue Price	$
Mr Gavin Coote	29-Sep-22	218,750	$0.255	$55,781
Mr Gavin Coote	30-Sep-22	250,000	$0.130	$32,500

The 468,750 shares issued to Mr Gavin Coote were for nil consideration, upon vesting of performance rights issued under the consolidated entity's long term incentive plan. The performance rights were granted on 17-Dec-20 and 24-Nov-21, vested on 30-Jun-22 and were exercised on 29-Sep-22 and 30-Sep-22.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year and future reporting years are as follows:

Name	Number of performance rights granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per right at grant date
Mr Gavin Coote	250,000	24-Nov-21	30-Jun-23	30-Jun-27	$0.00	$0.130
Mr Gavin Coote	750,000	24-Nov-21	30-Jun-24	30-Jun-28	$0.00	$0.074
Mr Gavin Coote	750,000	24-Nov-21	30-Jun-24	30-Jun-28	$0.00	$0.063
Mr Gavin Coote	2,750,000	24-Nov-21	30-Jun-24	30-Jun-28	$0.00	$0.130

The performance rights vest subject to satisfaction of prescribed vesting conditions including market conditions, and financial, operational, corporate governance, strategic planning and business development objectives set by the Board.

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the five years ended 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	$	$	$	$	$
Revenue	14,121,482	10,468,453	9,311,738	15,899,742	14,165,305
(Loss) before tax	(396,926)	(5,546,389)	(9,778,693)	(2,872,734)	(3,994,173)
(Loss) after tax	- 396,926	- 5,546,389	(9,778,693)	(3,219,461)	(4,219,742)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end ($)	$0.03	$0.07	$0.19	$0.09	$0.22
Total dividends declared (cents per share)	$0.00	$0.00	$0.00	$0.00	$0.00
Basic loss per share (cents per share)	(0.17)	(3.19)	(6.84)	(4.35)	(6.54)
Diluted loss per share (cents per share)	(0.17)	(3.19)	(6.84)	(4.35)	(6.54)

REMUNERATION REPORT (Audited) (Continued)

Additional disclosures relating to KMP

Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

Name	Balance at the start of the year	Received on the exercise of performance rights	Additions	Disposals	Balance at the end of the year
Mr Gavin Coote	3,910,633	468,750	870,617	-	5,250,000
Ms Julie King	20,439,811	-	5,833,334	-	26,273,145
Ms Joanne Bryant	1,765,051	-	787,526	-	2,552,577
Mr Paul Wright	1,351,782	-	675,891	-	2,027,673
Mr Paul Lewis	9,916,666	-	6,666,668	-	16,583,334
	37,383,943	468,750	14,834,036	-	52,686,729

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired / forfeited	Balance at the end of the year
Mr Gavin Coote	5,500,000	-	468,750	531,250	4,500,000
Ms Julie King	-	-	-	-	-
Ms Joanne Bryant	-	-	-	-	-
Mr Paul Wright	-	-	-	-	-
Mr Paul Lewis	-	-	-	-	-
	5,500,000	-	468,750	531,250	4,500,000

The performance rights vest subject to satisfaction of prescribed vesting conditions including market conditions, and financial, operational, corporate governance, strategic planning and business development objectives set by the Board.

This concludes the remuneration report, which has been audited

Shares under option / performance rights

At the date of this report, there were 86,670,261 options and 4,500,000 performance rights to acquire ordinary shares of the company as follows:

Class of Unlisted Options	Note	Exercise Price	Vesting Date	Expiry Date	Grant Date	Fair Value at Grant Date	Balance at 30 June 2023	Balance at Date of this Report
Employee LTIP options	(i)	$0.290	9-Mar-20	30-Jun-25	9-Mar-20	$0.082	89,478	86,196
Employee LTIP options	(i)	$0.290	1-Jul-20	30-Jun-25	9-Mar-20	$0.082	89,462	86,181
Employee LTIP options	(i)	$0.290	1-Jul-21	30-Jun-25	9-Mar-20	$0.082	89,464	86,183
Employee LTIP options	(i)	$0.290	1-Jul-22	30-Jun-25	9-Mar-20	$0.082	89,472	86,191
Employee LTIP options	(ii)	$0.075	8-Sep-20	30-Jun-25	8-Sep-20	$0.272	107,730	102,667
Employee LTIP options	(ii)	$0.075	1-Jul-21	30-Jun-25	8-Sep-20	$0.272	107,723	102,661
Employee LTIP options	(ii)	$0.075	1-Jul-22	30-Jun-25	8-Sep-20	$0.272	107,723	102,661
Employee LTIP options	(ii)	$0.075	1-Jul-23	30-Jun-25	8-Sep-20	$0.272	102,663	102,663
Employee LTIP options	(iii)	$0.075	2-Oct-20	30-Jun-25	2-Oct-20	$0.262	90,626	90,626
Employee LTIP options	(iii)	$0.075	1-Jul-21	30-Jun-25	2-Oct-20	$0.262	90,624	90,624
Employee LTIP options	(iii)	$0.075	1-Jul-22	30-Jun-25	2-Oct-20	$0.262	90,624	90,624
Employee LTIP options	(iii)	$0.075	1-Jul-23	30-Jun-25	2-Oct-20	$0.262	90,626	90,626
Performance rights	(iv)	$0.000	24-Nov-21	30-Jun-23	24-Nov-21	$0.130	250,000	250,000
Performance rights	(iv)	$0.000	24-Nov-21	30-Jun-24	24-Nov-21	$0.074	750,000	750,000
Performance rights	(iv)	$0.000	24-Nov-21	30-Jun-24	24-Nov-21	$0.063	750,000	750,000
Performance rights	(iv)	$0.000	24-Nov-21	30-Jun-24	24-Nov-21	$0.130	2,750,000	2,750,000
Employee LTIP options	(v)	$0.100	17-Jan-22	30-Jun-26	17-Jan-22	$0.101	180,922	174,172
Employee LTIP options	(v)	$0.100	1-Jul-22	30-Jun-26	17-Jan-22	$0.101	180,922	174,172
Employee LTIP options	(v)	$0.100	1-Jul-23	30-Jun-26	17-Jan-22	$0.101	174,172	174,172
Employee LTIP options	(v)	$0.100	1-Jul-24	30-Jun-26	17-Jan-22	$0.101	174,159	174,159
Lead Manager options	(vi)	$0.300	7-Mar-22	7-Mar-25	7-Mar-22	$0.052	1,000,000	1,000,000
Attaching options	(vii)	$0.180	14-Apr-22	31-Mar-24	14-Apr-22	$0.052	28,280,000	28,280,000
Employee LTIP options	(viii)	$0.175	30-Sep-22	30-Jun-27	30-Sep-22	$0.037	152,600	152,600
Employee LTIP options	(viii)	$0.175	1-Jul-23	30-Jun-27	30-Sep-22	$0.037	152,600	152,600
Employee LTIP options	(viii)	$0.175	1-Jul-24	30-Jun-27	30-Sep-22	$0.037	152,600	152,600
Employee LTIP options	(viii)	$0.175	1-Jul-25	30-Jun-27	30-Sep-22	$0.037	152,600	152,600
Attaching options	(ix)	$0.120	7-Dec-22	31-Dec-23	7-Dec-22	$0.012	50,465,283	50,465,283

Directors' report

The following notes refer to the options and performance rights on issue at 30 June 2023:

(i) On 9 March 2020, 785,127 options were issued to employees under the LTIP, and subsequently 170,433 were forfeited due to failure to meet vesting conditions and 256,818 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(ii) On 8 September 2020, 878,038 options were issued to employees under the LTIP, and subsequently 7,813 were exercised, 274,517 were forfeited due to failure to meet vesting conditions and 169,869 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(iii) On 2 October 2020, 582,500 options were issued to employees under the LTIP, and subsequently 65,625 were exercised, 64,376 were forfeited due to failure to meet vesting conditions and 89,999 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(iv) On 24 November 2021, 5,250,000 Performance Rights were issued to Directors under the LTIP and subsequently 250,000 were exercised, 500,000 were forfeited due to failure to meet vesting conditions.

(v) On 17 January 2022, 934,825 options were issued to employees under the LTIP, and subsequently 109,549 were forfeited due to failure to meet vesting conditions and 115,101 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(vi) On 7 March 2022, 1,000,000 options were issued to the Joint Lead Managers of the Placement Offer as announced by the consolidated entity on 28 February 2022.

(vii) On 14 April 2022, 28,280,000 Attaching Options were issued under the Placement Offer at an exercise price of $0.18 as announced by the consolidated entity on 28 February 2022.

(viii) On 30 September 2022, 705,152 options were issued to employees under the LTIP, and subsequently 71,064 were forfeited due to failure to meet vesting conditions and 23,688 lapsed after not being exercised within 60 days of cessation of employment. These options vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

(ix) On 7 December 2022, 50,465,283 Attaching Options were issued under the Placement Offer at an exercise price of $0.12 as announced by the consolidated entity on 28 October 2022. Options were issued at a subscription price of $0.005 per share raising funds of $252,329.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related entity or in the interest issue of any other registered scheme. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the consolidated entity for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

To the extent permitted by law, the company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims made by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since end of the financial year.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board including Independence Standards, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

Mr Gavin Coote

Executive Chairman

29-August-2023

Melbourne

Auditor's independence declaration

GrantThornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Hydrix Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Hydrix Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 29 August 2023

Consolidated statement of profit & loss and other comprehensive income

for the year ended 30 June 2023

	Note	2023	2022
		$	$
Revenue			
Revenue from contracts with customers	4	13,156,572	10,325,017
Other income	4	928,402	133,101
Interest income		36,508	10,335
		14,121,482	10,468,453
Operating expenses			
Employee benefits expense	5	(10,911,607)	(10,409,152)
Project material expenses		(1,283,025)	(1,740,687)
Selling, advertising and distribution expenses		(352,395)	(247,257)
Cost of sales		(21,408)	(7,457)
Other expenses	5	(2,799,276)	(2,526,716)
Depreciation and amortisation expense	5	(1,315,515)	(1,142,352)
Finance costs	5	(449,231)	(463,906)
Rental expense		(150,153)	43,071
Gain on financial instruments at fair value through profit or loss	5	629,784	1,018,303
Impairment of intangible assets		(522,939)	-
(Impairment)/Write-back of receivables	8	(60,457)	55,874
Share based payment expenses	31	(260,132)	(316,310)
Movement in contingent consideration liability		2,952,030	(166,787)
Unrealised foreign exchange Gain/(Loss)		25,916	(111,466)
		-	-
		(14,518,408)	(16,014,842)
Loss before income tax expense		(396,926)	(5,546,389)
Income tax (expense)/ benefit	6	-	-
Loss after income tax expense		(396,926)	(5,546,389)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Movement in functional currency of foreign operations	21	(2,756)	(4,344)
Total comprehensive loss for the year attributable to the Owners of Hydrix Limited		(399,682)	(5,550,733)
Loss per share		**Cents**	**Cents**
Basic and diluted earnings per share (cents per share)	30	(0.17)	(3.19)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

as at 30 June 2023

	Note	2023	2022
		$	$
Current assets			
Cash and cash equivalents	7	1,153,080	1,940,411
Trade and other receivables	8	2,428,670	2,014,785
Contract assets	13	346,161	851,801
Prepayments		329,015	239,076
Inventory		19,798	11,635
Total current assets		4,276,724	5,057,708
Non-current assets			
Deferred tax assets	6	-	-
Plant and equipment	9	308,203	370,314
Intangible assets	10	3,444,542	4,559,719
Financial assets at fair value through profit & loss	11	4,893,787	3,839,463
Right of use assets	19	1,153,645	1,615,103
Other assets		75,426	72,227
Security deposits		424,980	424,980
Total non-current assets		10,300,583	10,881,806
Total assets		14,577,307	15,939,514
Current liabilities			
Trade and other payables	12	1,507,340	1,424,463
Contract liabilities	13	711,036	1,513,453
Other liabilities	14	3,582	2,903,179
Employee benefits	15	912,439	974,999
Provisions	16	-	-
Derivative liabilities	18	1,275	108,595
Borrowings	17	1,369,003	1,043,768
Lease liabilities	19	855,149	747,796
Total current liabilities		5,359,824	8,716,253
Non-current liabilities			
Other liabilities	14	-	-
Employee benefits	15	179,992	160,668
Provisions	16	177,371	173,760
Borrowings	17	1,000,000	1,250,000
Lease liabilities	19	1,507,233	2,362,381
Total non-current liabilities		2,864,596	3,946,809
Total liabilities		8,224,420	12,663,062
Net assets		6,352,887	3,276,452
Equity			
Issued capital	20	102,126,684	98,822,417
Reserves	21	678,120	1,430,847
Accumulated losses	22	(96,451,917)	(96,976,812)
Total equity		6,352,887	3,276,452

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

for the year ended 30 June 2023

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2021	95,402,178	1,772,905	(91,465,430)	5,709,653
Loss after income tax expense for the year	-	-	(5,546,389)	(5,546,389)
Other comprehensive income, net of tax	-	(4,344)	-	(4,344)
Total comprehensive income for the year	-	(4,344)	(5,546,389)	(5,550,733)
Transactions with owners in their capacity as owners:				
Share based payments	-	368,312	-	368,312
Exercised options / performance rights	178,949	(176,019)	-	2,930
Expired options	-	(35,007)	35,007	-
Contributions of equity, net of transaction costs	2,746,290	-	-	2,746,290
Contingent equity consideration	495,000	(495,000)	-	-
Dividends paid	-	-	-	-
Balance at 30 June 2022	98,822,417	1,430,847	(96,976,812)	3,276,452

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2022	98,822,417	1,430,847	(96,976,812)	3,276,452
Loss after income tax expense for the year	-	-	(396,926)	(396,926)
Other comprehensive income, net of tax	-	(2,756)	-	(2,756)
Total comprehensive income for the year	-	(2,756)	(396,926)	(399,682)
Transactions with owners in their capacity as owners:				
Share based payments	-	260,132	-	260,132
Exercised options / performance rights	88,281	(88,281)	-	-
Expired options	-	(63,822)	63,822	-
Performance rights that failed to vest	-	(33,000)	33,000	-
Contributions of equity, net of transaction costs	3,215,986	-	-	3,215,986
Contingent equity consideration	-	(825,000)	825,000	-
Dividends paid	-	-	-	-
Balance at 30 June 2023	102,126,684	678,120	(96,451,917)	6,352,887

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

for the year ended 30 June 2023

	Note	2023 $	2022 $
Cash Flows from operating activities			
Receipts from customers (including GST)		14,090,689	9,774,745
Payments to suppliers and employees (including GST)		(16,920,641)	(16,004,696)
Receipt of government grants		28,000	-
R&D tax incentive		67,470	105,504
Net cash used in operating activities	23	(2,734,482)	(6,124,447)
Cash Flows from investing activities			
Payments for plant and equipment	9	(74,913)	(69,835)
Payments for intangible assets	10	(124,795)	(100,523)
Payments for investments		(10,000)	(150,150)
Proceeds from sale of plant and equipment		-	13,857
Proceeds from sale of investments		-	-
Proceeds from release of security deposits		-	-
Net cash used in investing activities		(209,708)	(306,651)
Cash Flows from financing activities			
Proceeds from issue of shares		3,369,679	2,876,856
Share issue transaction costs paid		(403,693)	(225,634)
Proceeds from borrowings		801,666	219,088
Repayments of borrowings		(476,431)	(175,320)
Interest received		19,894	6,564
Interest and other finance costs paid		(406,725)	(463,906)
Repayments of lease liabilities		(747,795)	(513,375)
Net cash flow from financing activities		2,156,595	1,724,273
Net increase/(decrease) in cash and cash equivalents		(787,595)	(4,706,825)
Cash and cash equivalents at start of year		1,940,411	6,647,225
Effects of exchange rate changes on cash and cash equivalents		265	11
Cash and cash equivalents at end of year	7	1,153,080	1,940,411

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes accompanying the financial statements

for the year ended 30 June 2023

1 General Information

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the directors of the company on 29 August 2023.

a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and derivatives.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the year ended 30 June 2023, the consolidated entity incurred a net loss before tax of $396,926, reported net cash used in operations of $2,734,482 and had a net current assets deficit (current assets less current liabilities) of $1,083,100.

The above factors create business uncertainty which may cast doubt over the business continuing as a going concern and whether the consolidated entity will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Despite these material uncertainties, the directors are of the opinion the consolidated entity will continue as a going concern, taking into consideration various factors including:

- The consolidated entity had an available cash balance of $1,153,080 at 30 June 2023
- The consolidated entity has $280,838 of undrawn funds available on its TP24 CreditLine facility based on eligible debtors as at 30 June 2023. There is an additional $644,162 available before the facility limit of $1.5 million is reached. The consolidated entity is forecasting for revenue and eligible debtors to be of a sufficient level to maximise this facility furing FY24
- Subsequent to the end of the financial year, the consolidated entity issued a convertible note facility arrangement with a total value of $3.1m, comprising $1.6 million in new cash and rolling over $1.5 million of existing shareholder loans (refer note 33)
- The budgeted cash flow forecast for the 12-month period from the date of signing of the financial statements supports the directors' assertion the consolidated entity is a going concern. Budgets have been prepared based on assumptions about certain economic, operating and trading performance achievement contingent on future events and actions yet to occur, and which may not necessarily occur. Should the need arise, there are operating costs of the business that could be reduced if required. Whilst the directors believe the assumptions are best estimate assumptions based upon information available, the occurrence and timing of future events are not certain
- Hydrix Ventures portfolio companies may achieve future liquidity events which may be subject to certain lock-up provisions. While liquidity events are currently uncertain, they have the potential to provide realisable equity gains. The Board, will in due course, elect to hold or liquidate in-full or in-part, equity venture investment positions of portfolio companies in support of growth initiatives and / or other working capital purposes
- The directors believe the consolidated entity would be able to raise additional capital if required to support strategic growth initiatives and working capital requirements

a) Basis of Preparation (continued)

Accordingly, the directors believe the consolidated entity will continue as a going concern and it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial statements do not include any adjustments relating to amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hydrix Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Hydrix Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

d) Foreign currency translation

The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Notes accompanying the financial statements

for the year ended 30 June 2023

f) Impairment of assets

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

h) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

i) Financial liabilities

The consolidated entity's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the consolidarted entity designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges are included within finance costs or finance income.

j) Fair value measurement of financial instruments

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 2 and level 3 are determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

k) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

l) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023.

2 Critical Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed throughout the financial report.

(i) Fair value measurement of non-cash consideration - revenue recognition

To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, the consolidated entity measures the non-cash consideration (or promise of non-cash consideration) at fair value on contract inception date. The fair value of non-cash consideration may vary because of the form of the consideration (for example, a change in the price of a share to which the consolidated entity is entitled to receive from a customer). If the fair value of the non-cash consideration promised by a customer varies for reasons other than only the form of the consideration (for example, the fair value could vary because of the consolidated entity's performance) the consolidated entity includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes accompanying the financial statements

for the year ended 30 June 2023

2 Critical Accounting Estimates, Assumptions and Judgements (continued)

(i) Fair value measurement of non-cash consideration - revenue recognition (continued)

At the end of each reporting period, the consolidated entity updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. The consolidated entity accounts for changes in the transaction price by recognising as revenue, or as a reduction of revenue, amounts allocated to satisfied performance obligations, in the period in which the transaction price changes.

(ii) Share-based payment transactions

The consolidated entity assesses the fair value of options granted without market conditions by applying the Black-Scholes valuation model. The use of this model requires management to make assumptions regarding key inputs such as risk free rate, share price volatility and time to maturity. The fair value of options with market conditions are assessed by an independent third party using an appropriate valuation model.

(iii) Impairment of assets

The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other non-financial assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 10 for further discussion.

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to Note 10 for further discussion.

(iv) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(v) Derivative liabilities

Management uses valuation techniques, such as a Black-Scholes model, when determining the fair value of derivative liabilities. Inputs to the valuation technique include assumptions and estimates on volatility and risk-free interest rates.

3 Operating Segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on the internal reports that are reviewed and used by the Board of Directors [who are identified as the Chief Operating Decision Makers ('CODM')] in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM, who are responsible for the allocation of resources to operating segments and assessing their performance.

The consolidated entity's operations are in five geographical locations, being Australia, Singapore, New Zealand, Europe and USA.

Operating Segment Information

Consolidated - 2023	Note	Hydrix Services $	Hydrix Medical $	Hydrix $	Unallocated $	Total Operations $
Revenue						
Revenue from contracts with customers		13,155,048	1,524			13,156,572
Total Segment revenue		13,155,048	1,524	-	-	13,156,572
Other Income						
Interest income		-	-	-	36,508	36,508
Other income		115,621	301	-	-	115,922
Other income non-recurring		812,480	-	-	-	812,480
Total Segment income		14,083,149	1,825	-	36,508	14,121,482
EBITDA		1,797,915	(1,438,706)	(39,034)	(1,716,557)	(1,396,382)
Finance costs		(302,240)	(156)	-	(146,835)	(449,231)
Depreciation and amortisation		(708,908)	(606,384)	-	(223)	(1,315,515)
(Impairment)/Write-back of receivables		(60,457)	-	-	-	(60,457)
(Impairment)/Write-back of intangibles		-	(522,939)	-	-	(522,939)
Gain on contingent consideration		-	2,952,030	-	-	2,952,030
Unrealised foreign exchange Gain / (Loss)		2,102	(48,851)	72,665	-	25,916
Share based payment expenses		(43,666)	(932)	-	(215,534)	(260,132)
Gain on financial instruments at FVTPL	11	-	-	522,464	107,320	629,784
Profit/(Loss) before income tax expense		684,746	334,062	556,095	(1,971,829)	(396,926)
Income tax (expense)/ benefit		-	-	-	-	-
(Loss) after income tax expense		684,746	334,062	556,095	(1,971,829)	(396,926)
Assets						
Segment assets		4,963,011	3,012,156	-	-	7,975,167
Unallocated assets:						
Cash and cash equivalents		-	-	-	1,153,080	1,153,080
Intangible assets		-	-	-	525,000	525,000
Hydrix Ventures investment portfolio		-	-	4,893,787	-	4,893,787
Other assets		-	-	-	30,273	30,273
Total assets		4,963,011	3,012,156	4,893,787	1,708,353	14,577,307
Liabilities						
Segment liabilities		5,993,711	129,655	-	-	6,123,366
Unallocated liabilities:						
Borrowings		-	-	-	1,750,000	1,750,000
Other liabilities		-	-	-	351,054	351,054
Total liabilities		5,993,711	129,655	-	2,101,054	8,224,420

3 Operating Segments (continued)

Consolidated - 2022	Note	Hydrix Services $	Hydrix Medical $	Hydrix $	Unallocated $	Total Operations $
Revenue						
Sales to external customer		10,321,877	3,141	-	-	10,325,018
Total Segment revenue		10,321,877	3,141	-	-	10,325,018
Other Income						
Interest income		-	-	-	10,335	10,335
Other income		119,243	-	-	13,857	133,100
Other income non-recurring		-	-	-	-	-
Total Segment income		10,441,120	3,141	-	24,192	10,468,453
EBITDA		(1,101,275)	(1,424,329)	(102,662)	(1,791,478)	(4,419,744)
Finance costs		(328,906)	-	-	(135,000)	(463,906)
Depreciation and amortisation		(692,336)	(449,645)	-	(372)	(1,142,353)
(Impairment)/Write-back of receivables		55,874	-	-	-	55,874
Loss on contingent consideration		-	(166,787)	-	-	(166,787)
Unrealised foreign exchange Gain / (Loss)		3,791	(236,705)	-	121,448	(111,466)
Share based payment expenses		-	-	-	(316,310)	(316,310)
Gain on financial instruments at FVTPL	11	-	-	368,608	649,695	1,018,303
Profit/(Loss) before income tax expense		(2,062,852)	(2,277,466)	265,946	(1,472,017)	(5,546,389)
Income tax (expense)/ benefit		-	-	-	-	-
(Loss) after income tax expense		(2,062,852)	(2,277,466)	265,946	(1,472,017)	(5,546,389)
Assets						
Segment assets		5,464,612	4,125,064	-	-	9,589,676
Unallocated assets:						
Cash and cash equivalents		-	-	-	1,940,411	1,940,411
Intangible assets		-	-	-	525,000	525,000
Hydrix Ventures investment portfolio		-	-	3,839,463	-	3,839,463
Other assets		-	-	-	44,964	44,964
Total assets		5,464,612	4,125,064	3,839,463	2,510,375	15,939,514
Liabilities						
Segment liabilities		6,921,821	3,065,095	-	-	9,986,916
Unallocated liabilities:						
Borrowings		-	-	-	2,250,000	2,250,000
Other liabilities		-	-	-	426,146	426,146
Total liabilities		6,921,821	3,065,095	-	2,676,146	12,663,062

Unallocated EBITDA and expenses includes the provision of corporate overheads not fully allocated to an operating segment.

4 Revenue

	2023	2022
Revenue from contracts with customers	$	$
Project revenue – services	12,308,331	9,161,493
Project revenue – materials	846,717	1,160,383
Project revenues	13,155,048	10,321,876
Sales of Avertix Guardian System Consumables	1,524	3,141
Total revenue from contracts with customers	13,156,572	10,325,017
Other income:		
Research and development tax incentive	67,470	105,504
Government grant	28,000	-
Profit on disposal of fixed assets	-	13,857
Other income	20,452	13,740
	115,922	133,101
Other income - non recurring:		
Release of credit for services	812,480	-
Release of contingent consideration	-	-
	812,480	-
Total other income	928,402	133,101
Total income from operations	14,084,974	10,458,118

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2023	2022
Timing of revenue recognition		
Goods transferred at a point in time	1,524	3,141
Services transferred over time	13,155,048	10,321,876
	13,156,572	10,325,017
Geographical Regions		
Australia	5,756,909	4,847,387
Europe	5,798,762	4,498,823
North America	1,451,514	664,012
Singapore	1,524	3,141
Other	147,863	311,655
	13,156,572	10,325,017

The consolidated entity attributes project revenues from external customers to geographical regions based on the domicile of the parent entity, or in the case of Hydrix Medical products, where the goods are transferred.

Major customers disclosure

The nature of the Hydrix Services business is that it enters into a mix of short-term and long-term contracts with key customers. Two customers each contributed more than 10% each of the consolidated entity's total revenue.

4 Revenue (continued)

Accounting Policy - Revenue recognition & other income

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from contracts with customers
Revenue is recognised over time at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

(i) *Project revenue*

The consolidated entity provides a comprehensive range of engineering and product development services, including software, electronics, mechanical, industrial design, and general product development services through its Hydrix Servies segment. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation.

For project contracts under a fixed fee basis, to depict the progress by which the consolidated entity transfers control of the services to the customer, and to establish when and to what extent revenue can be recognised, the consolidated entity measures its progress towards complete satisfaction of the performance obligation by comparing actual input costs (labour hours and materials) spent to date with the total estimated costs required to complete the project. The percentage completion basis provides the most acurate depiction of the transfer of goods and services to each customer due to the consolidated entity's ability to make reliable estimates of the total number of costs required to complete the project. At the end of each reporting period, progress towards complete satisfaction of the performance obligation is remeasured.

For project contracts under a time and materials basis, project revenue is recognised based on the actual input labour and materials incurred over time as this is when the consolidated entity transfers control of the services to the customer, and therefore represents when the performance obligation is fulfilled.

Customers are invoiced monthly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as Contract assets as only the passage of time is required before payment of these amounts will be due. When payments received from customers exceed revenue recognised to date on a particular contract, any excess is reported in the statement of financial position as Contract liabilities.

(ii) *Product sales revenue*

Hydrix Medical distributes cardio-vascular technology products under exclusive distribution agreements. Revenue is recognised at the point in time that the customer takes control of the product sold, as this represents when the performance obligation is fulfilled.

In some instances, Hydrix Medical has established sub-distribution agreements with partners located in the jurisdiction that the sales will occur. In these instances, the sub-distributor is considered the customer for revenue recognition purposes, and revenue is recognised when control of the product is transferred to them.

4 Revenue (continued)

Accounting Policy - Revenue recognition & other income (continued)

Other income

(i) *Research and development tax incentive*
R&D tax incentives will be recognised in profit before tax (in EBIT) during the period in which they are received from the Australian Taxation Office.

(ii) *Government grant*
Government grant represents receipts under the Export Market Development Grant (EMDG). Government grants are recognised in the financial statements at their fair values when there is a reasonable assurance that the Group will comply with the requirements and that the grant will be received.

(iii) *Other income*
Other income is recognised when it is received or when the right to receive payment is established.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

5 Expenses

	2023	2022
Loss before income tax includes the following specific expenses:	$	$
Employee benefits expenses		
Salaries, wages and leave entitlements	9,305,945	8,966,525
Defined contribution superannuation expense	983,329	878,694
Employee on-costs	467,962	489,033
Employee training and development	154,371	74,900
Total employee benefits expenses	10,911,607	10,409,152
Depreciation		
Plant and equipment	11,347	11,736
Computer equipment	66,709	86,636
Leasehold improvements	58,968	55,753
Right-of-use Asset	461,458	461,458
	598,482	615,583
Amortisation		
Software - including CHEF Framework	124,795	102,062
Distribution rights	592,238	424,707
	717,033	526,769
Total depreciation and amortisation expense	1,315,515	1,142,352
Finance costs		
Interest expense on lease liabilities	280,896	323,296
Interest on loans and borrowing costs	168,335	140,610
Total finance costs	449,231	463,906
Gain/(Loss) on financial instruments at fair value through profit or loss		
Gain/(Loss) on derivatives	107,320	662,315
Gain/(Loss) on financial assets	522,464	355,988
	629,784	1,018,303

5 Expenses (continued)

	2023	2022
	$	$
Other expenses		
Consultancy charges	293,831	253,442
Corporate advisory transaction costs	499	298,881
Directors' fees	289,529	279,000
Insurance	201,837	185,480
IT related expenses	420,546	385,917
Legal and professional charges	325,331	289,254
Listing fees and share register maintenance	91,858	80,326
Recruitment fees	357,769	40,359
Regulatory and reimbursement costs	98,034	288,430
Travelling costs	250,900	81,876
Administration expenses	469,142	343,751
Total other expenses	2,799,276	2,526,716

Accounting Policy - Expenses

Amortisation
The amortisable amount of all intangible assets is amortised on a straight-line basis over the period of their expected benefit to the consolidated entity commencing from the time the asset is recognised.

Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Finance costs
All finance costs are expensed in the period in which they are incurred.

6 Income Taxes

	2023	2022
(a) Income tax benefit	$	$
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	396,926	5,546,389
Tax at the statutory tax rate of 25%	99,232	1,386,597
Tax effect amounts which are not (deductible) / taxable in calculating taxable income:		
Temporary differences not brought to account	142,720	295,483
Share based payments	(65,033)	(79,078)
R&D tax incentive income - non assessable	16,868	26,376
Effect of release of contingent consideration	729,886	-
Effect of impairment of distribution rights	(130,735)	-
Deferred Tax Asset (DTA) on tax losses not brought to account	(792,937)	(1,693,491)
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	64,113
Income tax (expense) / benefit	-	-

6 Income Taxes (continued)

	2023	2022
(b) Deferred tax assets	$	$
The balance comprises temporary differences attributable to:		
Allowance for expected credit losses	16,816	11,693
Provision for annual leave	146,262	168,483
Provision for long service leave	126,846	115,434
Provision for obsolete inventory	3,571	663
Contingent consideration	-	45,938
Derivative liability	319	27,149
Lease liability	590,595	777,544
Accruals	113,833	81,300
Lease make-good provision	44,343	43,440
	1,042,585	1,271,644
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Contract assets	86,540	212,950
Financial assets at fair value through profit & loss	276,706	121,271
Intangible assets	419,661	535,026
	782,907	869,247
(d) Net deferred tax assets / (liabilities)		
Net deferred tax assets / (liabilities) not recognised	259,678	402,397
	259,678	402,397
(e) Deferred tax assets not brought to account at reporting date		
Capital losses	9,092,436	8,345,085
	71,248	71,248
	9,163,684	8,416,333

The deferred tax asset not brought to account will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) the company is able to meet the continuity of business and or continuity of ownership tests

Notes accompanying the financial statements

for the year ended 30 June 2023

6 Income Taxes (continued)

Accounting Policy - Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combonation and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Hydrix Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

7 Cash and cash equivalents

	2023	2022
	$	$
Cash at bank	1,153,080	1,940,409
Cash on hand	-	2
	1,153,080	1,940,411

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,153,080	1,940,411
Balance as per statement of cash flows	1,153,080	1,940,411

Accounting Policy - Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8 Trade and other receivables

	2023	2022
Current	$	$
Trade receivables	2,431,785	2,022,299
Less: Allowance for expected credit losses	(67,265)	(46,773)
	2,364,520	1,975,526
GST receivable	46,444	39,259
Other receivables	17,706	-
	2,428,670	2,014,785

Allowance for expected credit losses

The consolidated entity has recognised an impairment of $60,457 in profit or loss in respect of the expected credit losses for the year ended 30 June 2023 (30 June 2022: write back of $55,874).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate	Gross carrying amount	Allowance for expected credit losses	Net carrying amount
	2023	2023	2023	2023
Consolidated	%	$	$	$
Not overdue	0.4%	1,200,943	4,720	1,196,223
0 to 3 months overdue	0.7%	763,611	5,049	758,562
3 to 6 months overdue	8.8%	164,631	14,435	150,196
Over 6 months overdue	14.2%	302,600	43,061	259,539
		2,431,785	67,265	2,364,520

Accounting Policy - Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

9 Plant and Equipment

	2023	2022
Plant and equipment	$	$
At cost	196,310	184,445
Less accumulated depreciation	(104,285)	(92,938)
	92,025	91,507
Computer equipment		
At cost	373,225	329,240
Less accumulated depreciation	(340,120)	(273,411)
	33,105	55,829
Leasehold improvements		
At cost	432,568	413,505
Less accumulated depreciation	(249,495)	(190,527)
	183,073	222,978
	308,203	370,314

9 Plant and Equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$
Balance as at 1 July 2021	87,023	101,376	266,205	454,604
Additions	16,220	41,089	12,526	69,835
Disposals	-	-	-	-
Depreciation expense	(11,736)	(86,636)	(55,753)	(154,125)
Balance as at 30 June 2022	91,507	55,829	222,978	370,314
Balance as at 1 July 2022	91,507	55,829	222,978	370,314
Additions	11,865	43,985	19,063	74,913
Disposals	-	-	-	-
Depreciation expense	(11,347)	(66,709)	(58,968)	(137,024)
Balance as at 30 June 2023	92,025	33,105	183,073	308,203

Accounting Policy - Plant and equipment

The useful lives adopted for each class of depreciable assets are:

Class of Fixed Asset	Useful lives
Plant and equipment	2 to 5 years
Computer equipment	3 to 4 years
Leasehold improvements	Over the initial period of the lease

Management reviews its estimate of useful lives and residual values of depreciable assets at each reporting date, based on the expected benefit from these assets.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment). The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

10 Intangible assets

	2023	2022
	$	$
Distribution rights	4,459,426	4,459,426
Less: Accumulated amortisation	(1,016,945)	(424,707)
Less: Impairment	(522,939)	-
	2,919,542	4,034,719
Brand name	525,000	525,000
Less: Impairment	-	-
	525,000	525,000
Software - including CHEF Framework	3,059,141	2,934,346
Less: Accumulated amortisation	(3,059,141)	(2,934,346)
	-	-
	3,444,542	4,559,719

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Distribution rights	Brand name	Software including CHEF	Total
	$	$	$	$
Balance as at 1 July 2021	4,459,426	525,000	1,539	4,985,965
Additions	-	-	100,523	100,523
Impairment expense	-	-	-	-
Amortisation expense	(424,707)	-	(102,062)	(526,769)
Balance as at 30 June 2022	4,034,719	525,000	-	4,559,719
Balance as at 1 July 2022	4,034,719	525,000	-	4,559,719
Additions	-	-	124,795	124,795
Impairment expense	(522,939)	-	-	(522,939)
Amortisation expense	(592,238)	-	(124,795)	(717,033)
Balance as at 30 June 2023	2,919,542	525,000	-	3,444,542

As a definite life intangible asset, the distribution rights are not required to be tested for impairment unless indicators of impairment are present. During the year, the consolidated entity withdrew its application with the TGA for the Avertix Guardian product, to which the distribution rights relate. Management concluded that this is an indicator of impairment due to the impact on timing and ramp up of sales in Australia, and have therefore performed impairment testing of the asset.

The brand name is considered a corporate asset as it does not generate cash flows independently of other assets and its carrying amount cannot be allocated on a reasonable and consistent basis across identified CGUs. For impairment testing purposes, the carrying amount of the brand name is compared to the recoverable amount of the group of CGUs (ie: Hydrix Services and Hydrix Medical). Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive and are listed in the tables below.

Impairment testing

Brand Name and Distribution rights have been allocated to the following cash-generating units, or group of cash generating units:

	2023	2022
Brand Name	$	$
Group (Hydrix Services & Hydrix Medical)	525,000	525,000
	525,000	525,000

10 Intangible assets (continued)

	2023	2022
Distribution Rights	$	$
Hydrix Medical	2,919,542	4,034,719
	2,919,542	4,034,719

The following key assumptions were used in the discounted cash flow model for the Hydrix Services division:

Item	Assumption	Rationale
Revenue Growth Rates – FY 2024	Per approved budget	Based on existing contracts and proposals in various stages of negotiation
Revenue Growth Rates – FY 2025 onwards	10% p.a annual average growth	The consolidated entity's strategy is expected to continue to increase both the scale of the services business and generate other revenue streams in a consistent and sustainable manner
Expenditure Growth Rates – FY 2024	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2025 onwards	5% p.a annual average growth	The business has existing capacity to deliver increased revenues without adding significant costs. Management's estimate also takes into account the prevailing interest rate and efforts to contain costs.
Years forecasted	5 years plus terminal period	5 years as per recommended length of time per AASB136
Tax Rate	25%	Base rate entity company tax rate
Working Capital	14% of revenues	Average working capital required
Discount Rate	19% pre-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements, also incorporating other risks specific to the entity and the forecast cashflows

The following key assumptions were used in the discounted cash flow model for the Hydrix Medical division:

Item	Assumption	Rationale
Revenue Growth Rates – FY 2024	Per approved budget	Based on estimated timing of key regulatory approvals and market adoption
Revenue Growth Rates – FY 2025 onwards	Expected timing of regulatory approvals and expected market capture rates	Assumptions have been made around when regulatory & reimbursement approvals, and therefore sales, will be achieved in each jurisdiction, and applied further assumptions around rate of market capture in those juridications, considering population size, maturity of the health system and rate of ACS events.
Expenditure Growth Rates – FY 2024	Per approved budget	In line with forecast margins and sales growth
Expenditure Growth Rates – FY 2025 onwards	Increase in line with revenue growth	Management have forecast variable expenditure to grow in line with revenue to support efforts needed to achieve revenue growth.
Years forecasted	Fixed 6 year period	Remaining term of distribution and supply agreement
Tax Rate	25%	Base rate entity company tax rate
Working Capital	8% of revenues	Average working capital required
Discount Rate	19% pre-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements, also incorporating other risks specific to the entity and the forecast cashflows

Impairment of Distribution rights

During the year the consolidated entity recognised an impairment of $522,939 in relation to the distribution rights as a result of the uncertainty around TGA approval for the Avertix Medical Guardian product, and therefore when sales will be acheived in Australia. The above forecasts assume a delayed approval and significantly reduced volume of sales in Australia to allow for this risk. Management has also considered the risk of not achieving approvals in Australia through the determination of the discount rate applied. The revenue forecasts in other jurisdications have not been impacted by the TGA's decision.

10 Intangible assets (continued)

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing. Unfavourable changes in these assumptions would result in a reduction in the recoverable amount and possibly result in impairment. The below discusses the sensitivity of the recoverable amount to changes in key assumptions.

The assumptions and forecast that resulted in an impairment being recognised on the distribution rights at 31 December 2022 have not materially changed. As a result, there is no headroom between the recoverable amount of the CGU and its carrying value. Therefore, any negative change in one of the key assumptions would result in further impairment.

In relation to the Brand Name, the sensitivities are as follows:

(a) Revenue and cost of sales would need to decrease to 4.83% CAGR over the forecast period for the Group of cash generating units before Brand Name would need to be impaired, with all other assumptions remaining constant.

The directors believe that other reasonable changes in the key assumptions on which the recoverable amount of the consolidated entity's Brand Name is based on would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Accounting Policy - Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Distribution Rights
The acquired distribution rights have been measured based on the cost of shares issued and fair value of the contingent considerations on acquisition date. The distribution rights have an amortisation period of 7 years commencing 1 November 2021.

Brand Name
The Hydrix brand name is thought to have an indefinite life and is not amortised. Instead, the brand is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on the brand are taken to profit or loss are are not subsequently reversed.

Software (including CHEF)
Significant costs associated with the Common Hydrix Embedded Framework (CHEF) software are deferred and amortised on a straight-line basis over a period of between 1 to 5 years.

Notes accompanying the financial statements

for the year ended 30 June 2023

11 Financial instruments at fair value through profit & loss

	2023	2022
	$	$
Listed ordinary shares	14,202	20,751
Unlisted ordinary shares	4,601,394	3,500,727
Unlisted ordinary options	734	16,165
Convertible Note	277,457	301,821
	4,893,787	3,839,464

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Unlisted ordinary shares	Unlisted ordinary options	Listed ordinary shares	Convertible Note	Total
	$	$	$	$	$
Opening fair value as at 1 July 2021	2,565,303	-	33,371	248,428	2,847,102
Additions (i) (ii) (iii)	150,150	81,000	-	276,900	508,050
Interest accrued	-	-	-	6,875	6,875
Fair value increments/(decrements)	400,050	(64,835)	(12,620)	33,393	355,988
Fair value increments/(decrements) due to FX	121,448	-	-	-	121,448
Transfers (iv)	263,775	-	-	(263,775)	-
Closing fair value as at 30 June 2022	3,500,726	16,165	20,751	301,821	3,839,463
Opening fair value as at 1 July 2022	3,500,726	16,165	20,751	301,821	3,839,463
Additions (v) (vi) (vii)	432,582	-	10,000	-	442,582
Interest accrued	-	-	-	16,613	16,613
Fair value increments/(decrements)	595,421	(15,431)	(16,549)	(40,977)	522,464
Fair value increments/(decrements) due to FX	72,665	-	-	-	72,665
Closing fair value as at 30 June 2023	4,601,394	734	14,202	277,457	4,893,787

(i) During September 2021 the consolidated entity received 3,000,000 unlisted options in Memphasys Limited (ASX: MEM) valued at $81,000 as part of a commercial arrangement.

(ii) During November 2021 the consolidated entity acquired 2,145 shares of Series A stock in Cyban Pty Ltd for $150,150.

(iii) During June 2022 the consolidated entity entered into a convertible note agreement with Gyder Surgical Pty Ltd with a total issue price of $276,900.

(i) During June 2022 the consolidated entity received 4,691 ordinary shares in Gyder Surgical Pty Ltd valued at $263,775 on conversion of notes.

(v) During February 2023, the consolidated entity received 5,930 ordinary shares in Gyder Surgical Pty Ltd valued at $216,291.

(vi) During June 2023, the consolidated entity received 5,930 ordinary shares in Gyder Surgical Pty Ltd valued at $216,291.

(vii) During September 2022, the consolidated entity acquired 499,999 ordinary shares in Memphasys Limited (ASX: MEM) for $10,000.

Accounting Policy - Financial instruments at fair value through profit & loss

All assets and liabilities, measured at fair value, are classified using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. Refer to note 1 (j) for further information on fair value measurement.

11 Financial instruments at fair value through profit & loss (continued)

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2023 and 30 June 2022.

	Level 1	Level 2	Level 3	Total
30 June 2023	$	$	$	$
Financial assets				
Listed securities	14,202	-	-	14,202
Unlisted options in Memphasys Limited	-	734	-	734
Investment in Avertix Medical Inc	-	-	1,885,410	1,885,410
Investment in Cyban Pty Ltd	-	-	950,250	950,250
Investment in Gyder Surgical Pty Ltd	-	-	1,765,734	1,765,734
Gyder Surgical Pty Ltd convertible note	-	-	277,457	277,457
Total financial assets recognised at fair value	14,202	734	4,878,851	4,893,787
Financial liabilities				
Embedded derivative liability	-	1,275	-	1,275
Total financial liabilities recognised at fair value	-	1,275	-	1,275

	Level 1	Level 2	Level 3	Total
30 June 2022	$	$	$	$
Financial assets				
Listed securities	20,751	-	-	20,751
Unlisted options in Memphasys Limited	-	16,165	-	16,165
Investment in Avertix Medical Inc	-	-	1,451,630	1,451,630
Investment in Cyban Pty Ltd	-	-	950,250	950,250
Investment in Gyder Surgical Pty Ltd	-	-	1,098,846	1,098,846
Gyder Surgical Pty Ltd convertible note	-	-	301,821	301,821
Total financial assets recognised at fair value	20,751	16,165	3,802,547	3,839,463
Financial liabilities				
Embedded derivative liability	-	108,595	-	108,595
Total financial liabilities recognised at fair value	-	108,595	-	108,595

There were no transfers between Level 1, Level 2, and Level 3 during the twelve month period to 30 June 2023. The valuation techniques used for instruments categorised in Levels 2, and 3 are described below:

Embedded derivative liability (Level 2)
A Black-Scholes model has been used as a valuation technique to value the embedded derivative liability.

Investment in Memphasys Limited (Options) (Level 2)
A Black-Scholes model has been used as a valuation technique to value the unlisted options in Memphasys Limited (ASX: MEM).

Gyder Surgical Pty Ltd convertible note (Level 3)
Management determined the fair value of this investment by reference to the number of notes held and the face value of each note.

Investment in Gyder Surgical Pty Ltd (Level 3)
Management determined the fair value of this investment by reference to the issue price achieved during its last capital raise (ongoing at date of this report).

Investment in Cyban Pty Ltd (Level 3)
Management determined the fair value of this investment by reference to the issue price achieved during its last capital raise during May 2023.

Investment in Avertix Medical, Inc. (Level 3)
Management determined the fair value of this investment by reference to the issue price achieved during its last capital raise during February 2023.

For the Level 3 Financial Assets listed above, the unlisted share price of the entities is the only significant input to the valuations.

Notes accompanying the financial statements

for the year ended 30 June 2023

12 Trade and other payables

	2023	2022
	$	$
Trade payables	312,775	373,032
GST payable	517,342	455,708
Superannuation payable	183,934	191,798
PAYG payable	222,873	206,359
Other payables	14,735	-
Accrued liabilities	255,681	197,566
	1,507,340	1,424,463

Accounting Policy - Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

13 Contract assets and contract liabilities

	2023	2022
Contract assets	$	$
Current	346,161	851,801

The value of contract assets at the end of the reporting period was $346,161 (30 June 2022: $851,801) and is expected to be invoiced in future periods as follows:

	2023	2022
Consolidated	$	$
Within 6 months	346,161	851,801
6 to 12 months	-	-
12 to 18 months	-	-
18 to 24 months	-	-
	346,161	851,801

	2023	2022
Contract liabilities	$	$
Current	711,036	1,513,453

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $711,037 (30 June 2022: $1,513,453) and is expected to be recognised as revenue in future periods as follows:

	2023	2022
Consolidated	$	$
Within 6 months	711,036	725,017
6 to 12 months	-	296,027
12 to 18 months	-	492,409
18 to 24 months	-	-
	711,036	1,513,453

Accounting Policy - Contract assets and contract liabilities

Contract assets
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where an unconditional right to consideration is yet to be established, less any allowance for expected credit losses.

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration before the consolidated entity has transferred the goods or services to the customer.

14 Other liabilities

	2023	2022
Current	$	$
Contingent consideration liability	-	2,903,179
Other liabilities	3,582	-
	3,582	2,903,179

Contingent consideration liability

The contingent consideration for the Asia Pacific distribution rights of the Avertix Guardian System was subject to certain milestones being acheived before certain dates. These milestones were impacted by the withdrawal of the application from the TGA, and therefore the milestone dates passed during the year without the required milestones being met. As a result there is no longer a present obligation and the liability has been released.

Accounting Policy - Other liabilities

Contingent consideration liability
The contingent consideration liability is measured based on management's estimate of the expected cash outflows and the probability of meeting the milestones in accordance with the terms of the acquisition of the Avertix Distribution Rights agreement.

15 Employee benefits

	2023	2022
Current	$	$
Annual leave	585,046	673,932
Long service leave	327,393	301,067
	912,439	974,999
Non - current		
Long service leave	179,992	160,668
	179,992	160,668

Accounting Policy - Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, annual leave and long service leave which are expected to be settled within 12 months of the reporting date and which the entity does not have a conditional right to defer settlement beyond 12 months, are recognised as part of provisions in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

16 Provisions

	2023	2022
Non - current	$	$
Lease make-good provision	177,371	173,760
	177,371	173,760

Lease make-good provision

The provision represents the present value of the estimated costs to make-good the Mulgrave premises leased by the consolidated entity expiring in December 2025 with options to extend to two further terms of four years each. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time.

Movements in provisions

Movements in the lease make-good provision during the current financial year are set out below:

	2023	2022
Consolidated	$	$
Carrying amount at the start of the year	173,760	189,371
Unwinding of discount	3,611	(15,611)
Carrying amount at the end of the year	177,371	173,760

Accounting Policy - Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

17 Borrowings

	2023	2022
Current	$	$
Shareholder loans - Unsecured	750,000	1,000,000
TP24 CreditLine - Secured	575,000	-
BOQ Finance	-	43,768
Insurance Premium Funding	44,003	-
	1,369,003	1,043,768
Non-Current		
Shareholder loans - Unsecured	1,000,000	1,250,000
	1,000,000	1,250,000

Total unsecured borrowings

An unsecured loan facility of $1,000,000 with a 8% p.a. interest rate has been provided by a major shareholder. As at 30 June 2023, this loan was fully drawn. Subsequent to the end of the financial year the shareholder agreed to participate in the consolidated entities convertible note facility arrangement (refer note 33), rolling over $1,000,000 of the loan into the facility.

A separate unsecured loan facility of $750,000 with a 8% p.a. interest rate has been provided by a shareholder. As at 30 June 2023, this loan was fully drawn. Subsequent to the end of the financial year the shareholder agreed to participate in the consolidated entities convertible note facility arrangement (refer note 33), rolling over $500,000 of the loan into the facility. The remaining $250,000 of this loan is repayable by 15 September 2023.

Refer to note 24 for further information on financial instruments.

17 Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2023	2022
Total facilities	$	$
Shareholder loans	1,750,000	2,250,000
TP24 CreditLine	855,838	-
	2,605,838	2,250,000
Used at the reporting date		
Shareholder loans	1,750,000	2,250,000
TP24 CreditLine	575,000	-
	2,325,000	2,250,000
Unused at the reporting date		
TP24 CreditLine	280,838	-
	280,838	-

Accounting Policy - Borrowings

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

18 Derivative liabilities

In December 2019, 1 Warrant was issued to Pure Asset Management as interest consideration on the borrowings. The warrant, with 8,000,000 shares attached, have an exercise price of $0.10 and expiry date of 17 December 2023.

The fair value of the embedded derivative liability was determined using the Black-Scholes model using the following inputs:

	2023	2022
Share price at measurement date	$0.03	$0.07
Expected volatility	92.12%	61.70%
Dividend yield	0.00%	0.00%
Risk-free interest rate	3.30%	0.70%
Carrying amount of liability	$1,275	$108,595

19 Leasing

The consolidated entity leases an office building. The lease liability is secured by the related underlying right-of-use asset. The maturity analysis of lease payments at 30 June 2023 were as follows:

Maturity analysis

	Within one year	One to five years	After five years	Total
	$	$	$	$
Lease payments	1,046,340	1,626,061	-	2,672,401

	2023	2022
Lease liabilities	$	$
Current	855,149	747,796
Non-current	1,507,233	2,362,381
	2,362,382	3,110,177

During prior periods the consolidated entity and its landlord agreed to rent concessions as a direct consequence of the COVID-19 pandemic. The deferred rent arising is payable in equal monthly instalments during the period from 1 Feburary 2022 to 31 December 2025.

The consolidated entity applied AASB 2021-3 which makes amendments to AASB 16 Leases to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

Accounting Policy - Lease payments

An assessment is made at contract inception as to whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The consolidated entity has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Set out below are the carrying amounts of the consolidated entity's right-of-use assets:

Property

	2023	2022
	$	$
Right-of-use assets	2,999,477	2,999,477
Depreciation	(1,845,832)	(1,384,374)
	1,153,645	1,615,103

Reconciliations

Reconciliations of the written down values of right-of-use assets at the beginning and end of the current and previous financial year are set out below:

	Total
	$
Balance as at 1 July 2021	2,076,561
Depreciation expense	(461,458)
Balance as at 30 June 2022	1,615,103
Balance as at 1 July 2022	1,615,103
Depreciation expense	(461,458)
Balance as at 30 June 2023	1,153,645

20 Equity - issued capital

Consolidated

	2023	2022	2023	2022
	Shares	Shares	$	$
a) Ordinary shares - fully paid	254,218,847	197,636,060	102,126,684	98,822,417

Movements in ordinary share capital	Date	Shares	Issue price	$
Balance	1-Jul-22	197,636,060		98,822,417
Issue of shares under option	12-Jul-22	56	$0.125	7
Issue of shares under option	20-Jul-22	2,914	$0.120	350
Issue of shares under option	29-Jul-22	4,250	$0.120	510
Issue of shares under entitlement offer	23-Sep-22	32,851,453	$0.060	1,971,107
Issue of shares to KMP	29-Sep-22	218,750	$0.255	55,781
Issue of shares to KMP	30-Sep-22	250,000	$0.130	32,500
Issue of shares under entitlement offer	20-Oct-22	21,547,030	$0.060	1,292,876
Issue of shares under entitlement offer	7-Dec-22	1,708,334	$0.060	102,500
HYDOB subscription funds, net of transaction co:	7-Dec-22	-	$0.005	131,095
Share issue transaction costs				(282,460)
Balance	30-Jun-23	254,218,847		102,126,684

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Unlisted options issued	Options
At 1 July 2021	1,745,989
- Options which expired unexercised	(143,019)
- Options issued under the LTIP	934,825
- Options issued to joint lead managers	1,000,000
- Options exercised	(39,062)
- Options forfeited on failure to meet vesting conditions	(148,655)
At the end of the reporting period - 30 June 2022	3,350,078
At 1 July 2022	3,350,078
- Options which expired unexercised	(359,750)
- Options issued under the LTIP	705,152
- Options issued to joint lead managers	-
- Options exercised	-
- Options forfeited on failure to meet vesting conditions	(228,690)
At the end of the reporting period - 30 June 2023	3,466,790

20 Equity - issued capital (continued)

	Options
c) Listed options issued	
At 1 July 2021	19,290,850
- Options issued	28,280,000
- Options exercised	(382,718)
- Options which expired unexercised	-
At the end of the reporting period - 30 June 2022	47,188,132
At 1 July 2022	47,188,132
- Options issued	50,465,823
- Options exercised	(7,220)
- Options which expired unexercised	(18,900,912)
At the end of the reporting period - 30 June 2023	78,745,823

	Performance rights
d) Performance rights issued	
At 1 July 2021	900,000
- Performance rights issued	5,250,000
- Performance rights exercised	(618,750)
- Performance rights forfeited on failure to meet vesting conditions	(31,250)
At the end of the reporting period - 30 June 2023	5,500,000
At 1 July 2022	5,500,000
- Performance rights issued	-
- Performance rights exercised	(468,750)
- Performance rights forfeited on failure to meet vesting conditions	(531,250)
At the end of the reporting period - 30 June 2023	4,500,000

Refer to note 31 for share based payments in the current period.

Capital risk management

The Board controls the capital of the consolidated entity in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the consolidated entity can fund its operations and continue as a going concern. The consolidated entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

Accounting Policy - Issued capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

21 Equity - reserves

	Consolidated 2023	2022
	$	$
Share based payments reserve	687,129	612,100
Contingent consideration equity reserve	-	825,000
Foreign currency translation reserve	(9,009)	(6,253)
	678,120	1,430,847

Contingent consideration equity reserve

The reserve records contingent equity consideration for the acquisition of the Asia Pacific distribution rights for the Avertix Guardian System. The contingent consideration was made up of both cash payments and equity issues. The equity contingent consideration component met the definition of an equity as it is expected to be settled in a fixed number of shares. At 30 June 2023 there was no longer a present obligation, and so the equity held in this reserve was recycled through Accumulated Losses.

Movement in reserves

Movement in each class of reserve during the current and previous financial year are set out below:

	Contingent consideration equity reserve	Share based payments reserve	Other reserves	Total Reserves
	$	$	$	$
Balance at 30 June 2021	1,320,000	454,814	(1,909)	1,772,905
Share based payments	-	316,310	-	316,310
Share based payments - share issue costs	-	52,002	-	52,002
Options which expired unexercised		(27,038)		(27,038)
Options exercised		(10,238)		(10,238)
Performance rights exercised		(165,781)		(165,781)
Performance rights forfeited failing vesting conditions	-	(7,969)	-	(7,969)
Contingent equity consideration (i)	(495,000)	-	-	(495,000)
Movement in functional currency of foreign operations	-	-	(4,344)	(4,344)
Balance at 30 June 2022	825,000	612,100	(6,253)	1,430,847
Share based payments	-	260,132	-	260,132
Share based payments - share issue costs	-	-	-	-
Options which expired unexercised	-	(63,822)	-	(63,822)
Options exercised	-	-	-	-
Performance rights exercised	-	(88,281)	-	(88,281)
Performance rights forfeited failing vesting conditions	-	(33,000)	-	(33,000)
Contingent equity consideration (ii)	(825,000)	-	-	(825,000)
Movement in functional currency of foreign operations	-	-	(2,756)	(2,756)
Balance at 30 June 2023	-	687,129	(9,009)	678,120

(i) On 15 March 2022, the consolidated entity issued 4,500,000 shares valued at $495,000 to settle tranche 1 of the contingent equity consideration which became payable upon FDA approval of the next generation Avertix Guardian System.

(ii) During the year, the dates by which the contingent consideration milestones were to be acheived and payment to become payable were passed without the criteria being met. At 30 June 2023 there was no longer a present obligation, and so the equity held in this reserve was recycled through Accumulated Losses.

21 Equity - reserves (continued)

Accounting Policy - Equity reserves

Share based payments reserve
The share based payments reserve records items recognised as expenses on valuation of employee share options and performance rights.

Contingent consideration equity reserve
The contingent consideration equity reserve is measured based on the share price and number of shares to be issued under the tranche payment and the probability of meeting the required milestones on acquisition date. Equity is not subsequently remeasured.

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise increments and decrements in the fair value of foreign currency through other comprehensive income.

22 Equity - accumulated losses

	2023	2022
	$	$
Accumulated losses at the beginning of the financial year	(96,976,812)	(91,465,430)
Loss after income tax expense for the year	(396,926)	(5,546,389)
Transfer from options reserve to account for expired options	63,822	35,007
Transfer from options reserve to account for options that failed to vest	33,000	-
Transfer from contingent consideration equity reserve	825,000	-
Accumulated losses at the end of the financial year	(96,451,917)	(96,976,812)

23 Reconciliation of loss after income tax to net cash from operating activities

	2023	2022
	$	$
Total comprehensive loss for year	(399,682)	(5,550,733)
Adjustments for:		
Effects of exchange rate changes on cash and cash equivalents	(265)	(11)
Depreciation and amortisation	1,315,515	1,142,352
(Gain)/Loss on contingent consideration liability	(2,952,030)	166,787
(Gain)/Loss on financial instruments at fair value through profit or loss	(629,784)	(1,018,303)
Impairment of intangible assets	522,939	-
Impairment of receivables	60,457	(55,874)
(Profit)/Loss on disposal of fixed assets	-	(13,857)
Share based payments	260,132	316,310
Expenses paid by issue of ordinary shares	-	150,000
Unrealised foreign exchange (Gain)/Loss	(25,916)	111,466
Unwinding of the discount on provisions	3,611	(15,611)
Interest on convertible note	(16,614)	(6,875)
Interest received	(19,894)	(6,564)
Interest and other finance costs paid	406,726	463,906
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(474,342)	(1,661,308)
Decrease/(increase) in contract assets	73,057	238,743
Decrease/(increase) in prepayments	(89,939)	(60,594)
Decrease/(increase) in inventory	(8,163)	(354)
Decrease/(increase) in other assets	(3,199)	15,375
Increase/(decrease) in trade and other payables	82,877	(185,930)
Increase/(decrease) in contract liabilities	(802,417)	(88,264)
Increase/(decrease) in provisions	(43,236)	31,502
Increase/(decrease) in other liabilities	5,685	(96,610)
Net cash from operating activities	(2,734,482)	(6,124,447)

24 Financial Instruments

Financial risk management objectives
The entity's activities expose it to a variety of financial risks: market risk (consisting of interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. Receivables balances are in general unsecured and non-interest-bearing. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Market risk
Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. As at 30 June 2023 all shareholder loans were at fixed rates. the TP24 CreditLine facility is charged at an interest rate of 8.6% fixed plus variable equal to the 30 day BBSW rate. At 30 June 2023, the total interest rate on this facility was 12.49%

The consolidated entity's shareholder loans outstanding, totalling $1,750,000 (2022: $2,250,000), are interest only loans. Monthly cash outlays of $11,667 (2022: $12,917) are required to service the interest payments. At 30 June 2023, $250,000 of these loans is payable on 15 September 2023. The remainder has been rolled over in a convertible note facility arrangement issued subsequent to the period end, refer note 33.

Price risk
The consolidated entity is exposed to equity securities price risk arising from investments held by the consolidated entity and classified on the Statement of Financial Position as fair value through profit or loss of $4,616,330 (2022: $3,537,642).

Sensitivity Analysis
At reporting date, if equity prices had been 10% lower/higher, profit or loss before income tax of the consolidated entity would have decreased/increased by $461,633 (2022: $353,764).

The following investments constitute 100% of the consolidated entity's equity portfolio and security price risk:

Company	Fair Value	Portfolio
	$	%
2023		
Avertix Medical Inc.	1,885,410	40.8%
Cyban Pty Ltd	950,250	20.6%
Gyder Surgical Pty Ltd	1,765,734	38.2%
Other	14,936	0.3%
	4,616,330	100.0%

Company	Fair Value	Portfolio
	$	%
2022		
Avertix Medical Inc.	1,451,630	41.0%
Cyban Pty Ltd	950,250	26.9%
Gyder Surgical Pty Ltd	1,098,846	31.1%
Other	36,916	1.0%
	3,537,642	100.0%

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

24 Financial Instruments (continued)

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2023	2022
	$	$
TP24 CreditLine	280,838	-
	280,838	-

The shareholder loan facilities have been fully drawn down as at the reporting date. The TP24 CreditLine unused borrowings reflects the remaining available balance based on current eligible debtors less funds already drawn down.

2023	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Contingent consideration liability		-	-	-	-	-
Trade payables		312,775	-	-	-	312,775
Other payables		14,735	-	-	-	14,735
Accrued liabilities		255,681	-	-	-	255,681
Interest-bearing - fixed rate						
Shareholder loans	8.00%	750,000	1,000,000	-	-	1,750,000
Lease liabilities	10.00%	1,046,340	1,078,576	547,485	-	2,672,401
Interest-bearing - variable rate						
TP24 CreditLine	11.13%	575,000	-	-	-	575,000
Total non-derivatives		2,954,531	2,078,576	547,485	-	5,580,592
Derivatives						
Warrants		1,275	-	-	-	1,275
Total derivatives		1,275	-	-	-	1,275

2022	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Contingent consideration liability		2,903,179	-	-	-	2,903,179
Trade payables		373,032	-	-	-	373,032
Other payables		-	-	-	-	-
Accrued liabilities		197,566	-	-	-	197,566
Interest-bearing - fixed rate						
Shareholder loans	6.00%	1,000,000	1,250,000	-	-	2,250,000
Lease liabilities	10.00%	1,015,194	1,046,340	1,626,061	-	3,687,595
Total non-derivatives		5,488,971	2,296,340	1,626,061	-	9,411,372
Derivatives						
Warrants		108,595	-	-	-	108,595
Total derivatives		108,595	-	-	-	108,595

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

24 Financial Instruments (continued)

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Accounting Policy - Financial instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at fair value with any measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Financial assets at fair value through other comprehensive income are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period.

(iv) *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised

25 Key Management Personnel

Compensation
The aggregate compensation made to directors of the consolidated entity is set out below:

	Consolidated 2023	2022
	$	$
Short-term employee benefits	327,045	467,630
Fees paid to directors	279,417	125,455
Post-employment benefits	49,791	50,386
Long-term benefits	5,318	5,772
Share-based payments:		
- Expensed during the year	218,027	204,270
	879,598	853,513

Further information in relation to remuneration paid or payable to each member of the consolidated entity's KMP can be found in the Directors' Remuneration Report.

26 Auditors remuneration

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	Consolidated 2023	2022
	$	$
Audit services - Grant Thornton Audit Pty Ltd	127,860	114,500
Audit or review of the financial statements	127,860	114,500

	Consolidated 2023	2022
	$	$
Tax Services - Grant Thornton Australia Limited	15,050	12,540
Other services	15,050	12,540

27 Related party transactions

Parent entity
Hydrix Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the director's report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2023	2022
	$	$
Loans repaid to shareholders	250,000	-
Loans converted by shareholders into shares	250,000	-
Interest expenses on loans from shareholders	146,835	135,000

Receivable from and payable to related parties
There were no receivables from / payables to related parties as at reporting date (30 June 2022: nil).

27 Related party transactions (continued)

	Consolidated 2023	2022
Loans to/from related parties	$	$
Loans from shareholders	1,750,000	2,250,000

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. Terms of the loans are disclosed in note 17.

28 Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2023	2022
	$	$
(Loss) after income tax	(2,006,054)	(1,593,466)
Total comprehensive income	(2,006,054)	(1,593,466)

Statement of financial position

	Parent 2023	2022
	$	$
Total current assets	917,893	1,419,738
Total assets	10,587,875	9,719,832
Total current liabilities	1,059,063	1,411,933
Total liabilities	2,074,126	2,676,146
Equity		
Issued Capital	102,126,684	98,822,417
Contingent consideration equity reserve	-	825,000
Share based payments reserve	687,129	612,100
Accumulated losses	(94,300,063)	(93,215,831)
Total Equity	8,513,750	7,043,686

Set out below is a reconciliation for movements in accumulated losses of the parent entity in the year:

	2023	2022
	$	$
Accumulated losses at the beginning of the financial year	(93,215,831)	(89,797,269)
Loss after income tax expense for the year	(2,006,054)	(1,593,466)
Impairment in receivable from subsidiary	-	(1,860,102)
Transfer from options reserve to account for expired options	63,822	35,006
Transfer from options reserve to account for options that failed to vest	33,000	-
Transfer from contingent consideration equity reserve	825,000	-
Accumulated losses at the end of the financial year	(94,300,063)	(93,215,831)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Under the agreement entered into between Hydrix Services and TP24, a Deed of Guarantee and Indemnity was also entered into with Hydrix Limited (the parent entity) acting as Guarantor in respect of the debt arising between Hydrix Services and TP24.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 (2022: nil)

28 Parent entity information (continued)

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

29 Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2023	2022
		%	%
Hydrix Services Pty Ltd	Australia	100%	100%
Hydrix Ventures Pty Ltd	Australia	100%	100%
Hydrix Medical Pty Ltd	Australia	100%	100%
Hydrix Medical New Zealand Limited	New Zealand	100%	100%
Hydrix Medical Pte Ltd	Singapore	100%	100%
Hydrix DE LLC	United States	100%	N/A

30 Earnings per share

	Consolidated 2023	2022
	$	$
Loss after income tax attributable to the owners of Hydrix Limited	(396,926)	(5,546,389)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	239,244,929	174,019,407
Anti-dilutive shares excluded from weighted average number of ordinary shares:		
Options and rights over ordinary shares	36,246,790	26,758,210
Warrant shares	8,000,000	8,000,000
Contingent equity consideration	-	12,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	239,244,929	174,019,407
	Cents	**Cents**
Basic and diluted loss per share	(0.17)	(3.19)

In addition to the 3,466,790 non-quoted options issued (refer to Note 31) the following quoted options were in existence during the year:

HYDO Options

These options can be transferred and are quoted on the ASX (ASX: HYDO).

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
30-Jul-20	31-Jul-22	$0.120	5,394,141	-	7,220	5,386,921	-
31-Jul-20	31-Jul-22	$0.120	8,847,325	-	-	8,847,325	-
18-Sep-20	31-Jul-22	$0.120	4,666,666	-	-	4,666,666	-
			18,908,132	-	7,220	18,900,912	-

30 Earnings per share (continued)

HYDOA Options

These options can be transferred and are quoted on the ASX (ASX: HYDOA).

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
14-Apr-22	31-Mar-24	$0.180	28,280,000	-	-	-	28,280,000
			28,280,000	-	-	-	28,280,000

HYDOB Options

On 7 December 2022, 50,465,823 options were issued under the Placement Offer as announced by the consolidated entity on 28 October 2022. These options can be transferred and are quoted on the ASX (ASX: HYDOB).

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
7-Dec-22	31-Dec-23	$0.120	-	50,465,823	-	-	50,465,823
			-	50,465,823	-	-	50,465,823

Accounting Policy - Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Hydrix Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

31 Share-based payments

On 29th September 2022, 218,750 shares were issued to key management personnel with a total fair value of $55,781. A further issue of 250,000 shares with a total fair value of $32,500 was made to key management personnel on 30 September 2022 as identified in the issued capital disclosure (refer to note 20).

Recognised share-based payment expenses

The expense recognised from employee services received during the year is shown in the table below:

	Consolidated 2023	2022
	$	$
Expenses arising from equity-settled share-based payment transactions	260,132	316,310

Types of share-based payment plan

Employee Share Option Plan, 'ESOP'

A Long Term Incentive Plan (LTIP) has been established and approved by shareholders where the company may, at the discretion of the Board, grant options over the ordinary shares of Hydrix Limited to Directors, Executives, contractors and employees of the consolidated entity. The exercise of the options are subject to time-based and performance-based vesting conditions. The options cannot be transferred and will not be quoted on the ASX.

31 Share-based payments (continued)

The following non-quoted options were in existence during the 2023 financial year.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
9-Mar-20	30-Jun-25	$0.290	466,626	-	-	108,750	357,876
8-Sep-20	30-Jun-25	$0.075	493,652	-	-	67,813	425,839
2-Oct-20	30-Jun-25	$0.075	491,875	-	-	129,375	362,500
17-Jan-22	30-Jun-26	$0.100	897,925	-	-	187,750	710,175
30-Sep-22	30-Jun-27	$0.175	-	705,152	-	94,752	610,400
			2,350,078	705,152	-	588,440	2,466,790

For the options issued under the LTIP during the current financial year, the fair value at the grant date ($0.037) was calculated by applying the Black-Scholes valuation model.

The options issued under the LTIP vest subject to time-based and performance-based vesting conditions, including the employee remaining in the employ of the consolidated entity during the performance period and satisfaction of individual KPI's.

During the 2022 financial year, 1,000,000 non-quoted options with a fair value of $52,002 were issued to the lead joint lead managers of the Placement Offer, as part consideration for services provided.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
7-Mar-22	7-Mar-25	$0.300	1,000,000	-	-	-	1,000,000
			1,000,000	-	-	-	1,000,000

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2023 is 2 years and 4 months (2022: 3 years 2 months).

Range of exercise price

The range of exercise prices for options outstanding at end of the year was $0.075 - $0.29 (2022: $0.075 - $0.29).

The following performance rights were in existence during the 2023 financial year.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired/ forfeited	Balance at the end of the year
17-Dec-20	30-Jun-22	$0.00	250,000	-	218,750	31,250	-
24-Nov-21	30-Jun-22	$0.00	250,000	-	250,000	-	-
24-Nov-21	30-Jun-23	$0.00	750,000	-	-	500,000	250,000
24-Nov-21	30-Jun-24	$0.00	4,250,000	-	-	-	4,250,000
			5,500,000	-	468,750	531,250	4,500,000

The performance rights vest subject to satisfaction of prescribed vesting conditions including market conditions, and financial, operational, corporate governance, strategic planning and business development objectives set by the Board.

Weighted average remaining contractual life

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2023 is 4 years and 11 months (2022: 5 year and 7 months).

For movements in share options during the prior year, refer to note 20.

31 Share-based payments (continued)

Accounting Policy - Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

32 Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2023 (2022: nil).

33 Events after the reporting period

Issuing of Convertible Note

On 31 July 2023, the consolidated entity announced a $3,100,000 Convertible Note Facility comprised as follows:

- $500,000 of new cash from external investors
- $1,100,000 of new cash from Directors of Hydrix Limited
- $1,500,000 of existing Shareholder Loans from Directors and Related Parties rolled over into the convertible note

As $2,600,000 of the Convertible Note is from Directors and their Related Parties, the issuing of the convertible note to them is subject to shareholder approval, which will be sought at the conolidated entity's Annual General Meeting. Until that approval is obtained these funds will be treated as loans, with the same key terms, other than the option to convert into ordinary shares in the consolidated entity.

The key terms of the convertible note are as follows:

- The convertible note is for a period of 24 months from the issurance date, with compulsory redemption on maturity date
- Holders will receive annual interest of 10%, paid quartely commencing 30 September 2023
- Conversion price will be the lower of $0.05 and the issue price of shares under any equity capital raising completed by the consolidated entity between the issue date and the maturity date, subject to a minimum floor of $0.015
- The consolidated entity may, during the period six months prior to the maturity date, redeem some or all of the outstanding convertible notes held by a noteholder

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001.*

Mr Gavin Coote
Executive Chairman
29-August-2023

Independent auditor's report

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Report

To the Members of Hydrix Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Hydrix Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Consolidated Entity incurred a net loss of $396,926 during the year ended 30 June 2023, and as of that date, the Consolidated Entity's current liabilities exceeded its total assets by $1,083,100. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Note 4	
For the year ended 30 June 2023, the Consolidated Entity recognised revenue from external customers of $13,156,572 (2022: $10,325,017) from variable and fixed price service contracts. This revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. Measuring the amount of revenue to recognise in the financial statements, including identifying performance obligations, evaluating stand-alone selling prices and timing of revenue recognition, involves significant management judgement. This area is a key audit matter due to the complexity and judgement associated with recognising revenue, particularly near year-end.	Our procedures included, amongst others: • Gaining an understanding of revenue trends for significant revenue categories through analytical review; • Documenting and updating our understanding of the internal processes and controls around revenue recognition to ensure compliance with AASB 15; • Testing a sample of revenue contracts to supporting documentation and assessing whether revenue has been recorded in the correct period and in compliance with AASB 15; • Reviewing the progress of fixed price contracts to critically assess Management's estimates of project stage of completion and progress against budget; and • Assessing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.
Impairment assessment of non-financial assets – Note 9, Note 10 and Note 19	
At 30 June 2023, the carrying value of intangible assets is $3,444,542 (inclusive of brand name and distribution rights), right-of-use assets is $1,153,645 and plant and equipment is $308,203. In accordance with AASB 136 *Impairment of Assets*, the Consolidated Entity is required to assess if there are indicators of impairment over intangible assets with a finite useful life and with respect to intangible assets with an infinite useful life, assess the carrying value of each Cash Generating Unit (CGU) against the recoverable amount. This area is a key audit matter due to the high level of management judgement and estimation uncertainty required to determine the recoverable amount of the CGU.	Our procedures included, amongst others: • Reviewing management's assessment of the impairment indicators on non-financial assets including, distribution rights, right-of-use assets and plant and equipment; • Reviewing the value-in-use (VIU) model for the Services and Medical CGUs for compliance with AASB 136; • Verifying the mathematical accuracy and appropriateness of the methodology of the underlying calculations within the VIU models; • Evaluating the cash flow projections by assessing management's ability to historically forecast by comparing actual results to previous forecasts; • Assessing key judgements and assumptions and performing a sensitivity analysis of the inputs in the VIU model; and • Assessing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11 to 15 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Hydrix Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 29 August 2023

Additional securities exchange information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 26 September 2023 (**Reporting Date**).

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations (Fourth Edition)* (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (https://www.hydrix.com/about/corporate-governance), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website at https://www.hydrix.com/about/corporate-governance.

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of the Company and the number of ordinary voting shares in which those substantial holders and their associates have a relevant interest (based on the Company's share register as at the Reporting Date and/or substantial holding notices given to the Company) are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
John W King Nominees Pty Ltd	Ordinary shares	26,273,145	10.335%
John King*	Ordinary shares	27,263,597	10.724%
Julie King**	Ordinary shares	26,273,145	10.335%
Invia Custodian Pty Limited	Ordinary shares	16,583,334	6.523%
Paul Lewis***	Ordinary shares	16,583,334	6.523%

* John King has a relevant interest in the shares held by:
  - John W King Nominees Pty Ltd
  - BDKM Investments Pty Ltd

** Julie King has a relevant interest in the shares held by John W King Nominees Pty Ltd

*** Paul Lewis has a relevant interest in the shares held by Invia Custodian Pty Limited

NUMBER OF HOLDERS

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of holders
Fully paid ordinary shares	254,218,847
Listed options exercisable at $0.18 each, expiring on 31 March 2024	28,280,000
Listed options exercisable at $0.12 each, expiring on 31 December 2023	50,465,823
Unlisted options exercisable at $0.30 each, expiring on 7 March 2025	1,000,000
Unlisted LTIP options exercisable at $0.075 each, expiring on 30 June 2025	773,152
Unlisted LTIP options exercisable at $0.29 each, expiring on 30 June 2025	344,751
Unlisted LTIP options exercisable at $0.10 each, expiring on 30 June 2026	691,989
Unlisted LTIP options exercisable at $0.175, expiring on 30 June 2027	597,900
Warrants	1
LTIP Performance rights	5,000,000

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 3,753 holders of a total of 254,218,847 ordinary shares of the Company.

At a general meeting of The Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary fully paid share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	1,151	531,972	0.210
1,001 – 5,000	951	2,503,643	0.980
5,001 – 10,000	405	3,183,513	1.250
10,001 – 100,000	923	32,144,592	12.640
100,001 and over	323	215,855,127	84.910
Totals	3,753	254,218,847	100%

Additional securities exchange information

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES cont.

Distribution of holders of listed options exercisable at $0.18 each, expiring on 31 March 2024

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	42	3,202,155	11.320
100,001 and over	39	25,077,845	88.680
Totals	81	28,280,000	100%

Distribution of holders of listed options exercisable at $0.12 each, expiring on 31 December 2023

Holdings Ranges	Holders	Total Units	%
1 – 1,000	99	46,252	0.090
1,001 – 5,000	133	341,378	0.680
5,001 – 10,000	39	291,465	0.580
10,001 – 100,000	106	3,371,393	6.680
100,001 and over	50	46,415,335	91.970
Totals	427	50,465,823	100%

Distribution of holders of unlisted options exercisable at $0.30 each, expiring on 7 March 2025

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	0	0	0.000
10,001 – 100,000	1	100,000	10.000
100,001 and over	3	900,000	90.000
Totals	4	1,000,000	100%

Distribution of holders of unlisted options issued under the Long Term Incentive Plan (LTIP)

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	0	0	0.000
5,001 – 10,000	4	27,375	1.140
10,001 – 100,000	43	1,551,101	64.420
100,001 and over	5	829,316	34.440
Totals	52	2,407,792	100%

Distribution of holders of performance rights issued under the LTIP

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and over	1	5,000,000	100.000
Totals	1	5,000,000	100%

Distribution of warrant holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	1	1	100.000
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and over	-	-	-
Totals	1	1	100%

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
254,218,847	10,371,288	2,802	4.07967

Additional securities exchange information

TWENTY LARGEST SHAREHOLDERS

The Company has three classes of quoted securities, being ordinary shares, HYDOA options (exercisable at $0.18 each, expiring on 31 March 2024 (ASX: **HYDOA**)) and **HYDOB** options (exercisable at $0.12 each, expiring on 31 December 2023 (ASX:**HYDOB**)). The names of the 20 largest holders of each quoted class of securities, and the number of securities and percentage of capital held by each holder is as follows:

Ordinary shares:

Shareholder Name	Balance as at Reporting Date	%
JOHN W KING NOMINEES PTY LTD	26,273,145	10.335%
PUSEN MEDICAL TECHNOLOGY AUSTRALIA PTY LTD	12,000,000	4.720%
INVIA CUSTODIAN PTY LIMITED <THE PAJ A/C>	8,291,667	3.262%
INVIA CUSTODIAN PTY LIMITED <PAJ LEWIS SUPER FUND A/C>	8,291,667	3.262%
NATIONAL NOMINEES LIMITED	5,652,000	2.223%
ROGER ALLEN AND MAGGIE GRAY PTY LIMITED	5,226,190	2.056%
INDIGENOUS CAPITAL LIMITED	5,226,190	2.056%
BEACHRIDGE ADVISORY SERVICES PTY LTD <THE COOTE FAMILY DISCR A/C>	4,778,502	1.880%
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	4,700,000	1.849%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,058,209	1.596%
AUSTRALIAN PHILANTHROPIC & SERVICES FOUNDATION P/L <AUSTRALIAN PHIL SERVICE A/C>	3,971,304	1.562%
BRIDGESTAR PTY LTD	3,000,000	1.180%
JASPER CAPITAL LTD	3,000,000	1.180%
GOETZKE NOMINEES PTY LTD <GOETZKE FAMILY A/C>	2,938,616	1.156%
LAMPSAC PTY LTD <CENTRAL COAST SUPERFUND A/C>	2,784,619	1.095%
SUMMIT TWENTY-FIVE PTY LTD <MEGALINA SUPER FUND A/C>	2,750,000	1.082%
E L G NOMINEES PTY LTD <GUDE FAMILY NO 3 A/C>	2,362,577	0.929%
MR COLIN JAMES SHARP	2,000,000	0.787%
CITICORP NOMINEES PTY LIMITED	1,970,920	0.775%
KAVA INVESTMENTS PTY LTD <RAPID TRADING A/C>	1,941,667	0.764%
Total Securities of Top 20 Holdings	**111,217,273**	**43.749%**
Total of Securities	**254,218,847**	

HYDOA options (exercisable at $0.18 each, expiring on 31 March 2024) :

Shareholder Name	Balance as at Reporting Date	%
JOHN W KING NOMINEES PTY LTD	2,500,000	8.840%
MR ADRIAN ALEXANDER VENUTI <ADRIAN VENUTI FAMILY A/C>	2,000,000	7.072%
PATAGORANG PTY LTD <ROGER ALLEN FAMILY A/C>	2,000,000	7.072%
KAVA INVESTMENTS PTY LTD <RAPID TRADING A/C>	1,250,000	4.420%
FLINDERS MEDICAL CENTRE FOUNDATION	1,150,000	4.066%
SEAFIELD SUPERANNUATION PTY LTD <GRAYS SUPERANNUATION FND A/C>	1,000,000	3.536%
LAMPSAC PTY LTD <CENTRAL COAST SUPERFUND A/C>	1,000,000	3.536%
BEACHRIDGE ADVISORY SERVICES PTY LTD <THE COOTE FAMILY DISCR A/C>	1,000,000	3.536%
MR BENJAMIN FREEMAN JOHNSON & MRS MELANIE BOORSE JOHNSON	1,000,000	3.536%
INVIA CUSTODIAN PTY LIMITED <THE PAJ A/C>	1,000,000	3.536%
INVIA CUSTODIAN PTY LIMITED <PAJ LEWIS SUPER FUND A/C>	1,000,000	3.536%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	850,000	3.006%
MR MICHAEL ZOLLO	800,000	2.829%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	700,000	2.475%
MR DAVID JOHN LEADBETTER	679,512	2.403%
RENILTON PTY LIMITED <MEDUSA SUPER FUND A/C>	650,000	2.298%
SUMMIT TWENTY-FIVE PTY LTD <MEGALINA SUPER FUND A/C>	500,000	1.768%
MADORA VIEW PTY LTD <THE THOMAS FAMILY A/C>	500,000	1.768%
MR MICHAEL JOHN FIMERI	500,000	1.768%
MR MATTHEW DEAN QUINN	500,000	1.768%
Total Securities of Top 20 Holdings	**21,079,512**	**74.539%**
Total of Securities	**28,280,000**	

Additional securities exchange information

TWENTY LARGEST SHAREHOLDERS cont.

HYDOB options (exercisable at $0.12 each, expiring on 31 December 2023) :

Shareholder Name	Balance as at Reporting Date	%
SEAFIELD SUPERANNUATION PTY LTD <GRAYS SUPERANNUATION FND A/C>	4,000,000	7.926%
RIYA INVESTMENTS PTY LTD	3,900,000	7.728%
MR CHRISTOPHER LINDSAY BOLLAM	3,004,527	5.954%
FLINDERS MEDICAL CENTRE FOUNDATION	3,000,000	5.945%
PATAGORANG PTY LTD <ROGER ALLEN FAMILY A/C>	2,222,222	4.403%
INVIA CUSTODIAN PTY LIMITED <THE PAJ A/C>	2,040,799	4.044%
INVIA CUSTODIAN PTY LIMITED <PAJ LEWIS SUPER FUND A/C>	2,040,799	4.044%
DASH CORP PTY LTD <DASH UNIT A/C>	2,000,000	3.963%
BLUE STAR (NO 5) PTY LTD <DSD FAMILY A/C>	2,000,000	3.963%
OLLYBOCKER RETIREMENT PTY LTD <BALDWIN SUPER FUND A/C>	2,000,000	3.963%
MR ALEXANDER MICHAEL LEWIT	1,991,392	3.946%
MR WALTER BATTEN MEAKINS	1,000,000	1.982%
MRS MARGARET THOMPSON	1,000,000	1.982%
NETHERFIELD INVESTMENTS PTY LTD <THE NETHERFIELD A/C>	1,000,000	1.982%
BEAN & ASSOCIATES PTY LTD <BEAN & ASSOCIATES S/FUND A/C>	1,000,000	1.982%
MR GREGORY JOHN BAKER	1,000,000	1.982%
MR XIN FANG & MRS QIUYI LIN <DDXX SMSF A/C>	1,000,000	1.982%
MADORA VIEW PTY LTD <THOMAS FAMILY SUPER FUND A/C>	932,473	1.848%
MR FELIX MATTHEW BAKER	833,334	1.651%
BEACHRIDGE ADVISORY SERVICES PTY LTD <THE COOTE FAMILY DISCR A/C>	779,970	1.546%
Total Securities of Top 20 Holdings	36,745,516	72.813%
Total of Securities	50,465,823	

COMPANY SECRETARY

The Company's secretary is Ms Alyn Tai.

REGISTERED OFFICE

The address and telephone number of the Company's registered office is:

30 – 32 Compark Circuit
Mulgrave Victoria 3170

Telephone: +61 (0)3 9550 8100

SHARE REGISTRY

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Level 8
210 George Street
Sydney NSW 2000

Telephone: 1300 737 760 / +61 (0)2 9290 9600

STOCK EXCHANGE LISTING

The Company's ordinary shares and HYDOA and HYDOB options are quoted on the Australian Securities Exchange (**ASX**).

ESCROW

There are no securities on issue in the Company that are subject to voluntary escrow.

UNQUOTED EQUITY SECURITIES

The number of each class of unquoted equity securities on issue, and the number of holders in each such class, are as follows:

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Options exercisable at $0.30 each, expiring on 7 March 2025	1,000,000	4
LTIP Options exercisable at $0.075 each, expiring on 30 June 2025	773,152	26
LTIP Options exercisable at $0.29 each, expiring on 30 June 2025	344,751	20
LTIP Options exercisable at $0.10 each, expiring on 30 June 2026	691,989	26
LTIP Options exercisable at $0.175, expiring on 30 June 2027	597,900	29
Warrant	1	1
LTIP Performance rights	5,000,000	1

Shareholder approval was obtained for the issue of LTIP performance rights under ASX Listing Rule 10.14

Additional securities exchange information

The Warrant is held by Pure Asset Management Pty Ltd ABN 46 616 178 771 in its capacity as trustee for The Income and Growth Fund. The Warrant was issued to the holder under a loan facility agreement, and is exercisable into 8,000,000 ordinary shares.

The options exercisable at $0.30 each, expiring on 7 March 2025 were issued to the joint lead managers of the Company's 2022 placement (announced to ASX on 28 February 2022), as part consideration for services provided.

All other unquoted equity securities on issue in the Company were issued to employees under the Company's Long Term Incentive Plan (**LTIP**)

OTHER INFORMATION

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

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