

Company Announcement
ASX: HPC

DATE: 18/03/2025

Strategic Placement and Rights Issue to Raise up to \$1.25m with Appointment of New Director

KEY HIGHLIGHTS

- **Firm commitments to raise \$650,000 via strategic placement to Mr Joseph Constable and another investor via the issue of 65m new fully paid ordinary shares at \$0.01 per share (Offer Price)**
- **Mr Constable was formerly an Executive Director at Hancock & Gore, and is an experienced company Director – Joseph will be appointed as a Non-Executive Director shortly after completion of the Placement**
- **Additional 1 for 5 Rights Issue to raise up to an additional ~\$610,000 at the Offer Price**
PURE, the Company's largest shareholder, has committed to subscribe for its full entitlement under the Rights Issue, representing approximately ~\$122,000 of proceeds
- **Funds to be deployed to support sales momentum from continuing US operations, with the pending launch of new high margin products and consolidation of recent growth trends via established ecommerce channels**
- **YTD net sales (January and February 2025) from continuing US operations of US\$489K (~A\$780K) – up 19% on previous corresponding period (PCP)**
- **January and February 2025 YTD gross margin as a percentage of net revenue of 64% – up from 62% for CY2024**
- **Transition Services Agreement with Prestige Consumer Healthcare Inc. completed on 15 February 2025 – Company now solely focused on growth of US business**
- **Significant operational expenditure reductions expected from mid-March 2025**
- **Management expects significant improvements in CY2025 in:**
 - **Gross margin as a percentage of net sales:** Driven by focus on high profitability channels and news, as well as new product launches
 - **Significant reduction in OPEX:** Underpinned by reduced overheads, contract work completion and relocation of CFO duties to Australia

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** ("**HydraLyte USA**" or "**the Company**") advises that it has received firm commitments to raise \$650,000 via the issue of 65,000,000 fully paid ordinary shares ("Shares") priced at the Offer Price of \$0.01 per Share ("Placement").

A total of 60 million Placement Shares (for proceeds of \$600,000) will be allocated to Mr Joseph Constable (or nominee), an experienced public company executive who will also join the Board of HydraLyte USA as a Non-Executive Director shortly after completion of the Placement. The balance of the Placement Shares (5 million Shares for proceeds of \$50,000) will be allocated to another investor.

In addition to the Placement, the Company will also undertake a pro rata entitlement offer ("Rights Issue"), which will seek to raise up to an additional ~\$610,000 through the offer to eligible shareholders of 1 new Share for every 5 existing Shares held on the Record Date of Friday, 21 March 2025.

Funds from the capital raise will provide additional financial flexibility for HydraLyte USA to capitalise on the recent sales momentum from its continuing US operations, with the pending rollout of new product launches for high-margin stock-keeping units ("SKUs") and consolidation of its recent growth trends via established ecommerce channels in the US market.

Early-year sales momentum coincides with the completion of the Company's transitional services agreement with Prestige Consumer Healthcare Inc. on 15 February 2025, leaving HydraLyte USA focused solely on US operations.

Details of the Placement and Rights Issue

HydraLyte USA has received firm commitments to raise \$650,000 (before costs), via the issue of 65 million new Shares under the Placement at the Offer Price.

The 65,000,000 Shares will be issued under the Company's available placement capacity, as follows:

- 45,736,960 Shares will be issued utilising all of the Company's available capacity under ASX Listing Rule 7.1; and
- 19,263,040 Shares will be issued utilising part of the Company's available capacity under ASX Listing Rule 7.1A.

As noted above, 60,000,000 of the Shares to be issued under the Placement will be allocated to Mr Joseph Constable and the balance of 5,000,000 Shares will be allocated to another investor.

The Placement will be accompanied by the Rights Issue, which will seek to raise a further up to ~\$610,000 through the offer of 1 new Share for every 5 existing Shares held by eligible shareholders, being HPC shareholders on the Record Date (7pm on 21 March 2025) with a registered address in Australia or New Zealand.

The Rights Issue will be conducted at the same Offer Price as the Placement (\$0.01).

The Offer Price of \$0.01 represents a:

- 11.1% premium to the closing price of HPC shares on 17 March 2025 (of \$0.009), being the last trading day prior to the announcement of the capital raising; and
- 7.5% premium to the volume weighted average price of HPC shares during the 15 trading days where trades were recorded up to and including 17 March 2025 (of \$0.0093).

The Shares issued under the Placement will not be entitled to participate in the Rights Issue.

Further details of the Rights Issue will be provided to eligible shareholders in the Offer Booklet, which will be made available (together with the accompanying entitlement and acceptable form) on Wednesday, 26 March 2025.

The Placement and Rights Issue is lead-managed by Evolution Capital Pty Ltd.

Board appointment

The appointment of Mr Constable as a Non-Executive Director significantly strengthens HydraLyte USA's Board at an important juncture, as the Company targets a pathway to cash-flow break-even and profitability from continuing US operations, through online sales of high-margin SKUs and a streamlined cost base.

An experienced corporate executive at both the Board and management level, Mr Constable most recently held the role of Executive Director at Hancock & Gore Limited, an ASX-listed diversified investment company, for four years. Mr Constable is also a member of the Australian Institute of Company Directors.

The Board considers that alongside his strategic investment in the business, Mr Constable's skill-set makes him well suited to help guide the growth strategy for the Company's continuing US operations, following the recent divestiture of its non-US assets.

YTD sales update

Following the divestiture of the Company's non-US assets in Q4 CY2024, the Company is pleased to confirm ongoing sales momentum for high-margin SKU in the US, with a targeted focus on ecommerce channels which resulted in YTD Net sales (January and February 2025) from continuing US operations of US\$489,000 (A\$779,000) – up 19% on the PCP.

Revenue was underpinned by strong sales of key high-margin SKUs including the Company's Liver Support product. Increased sales of high-margin SKUs has led to a rise in gross margin as a percentage of net revenue to 64% for the first two months of 2025 – this marked an increase on CY2024, which totalled 62%. Additional gross margin increases are expected to flow through on a comparative basis over the first half of CY2025 reflecting the completed discontinuation of low-margin product lines.

Early-year sales momentum coincides with the completion of the Company's transitional services agreement with Prestige Consumer Healthcare Inc., leaving HydraLyte USA focused solely on US operations. Completion is anticipated to provide the Company with a streamlined platform for growth, alongside considerably reduced operational expenditure.

YTD sales also reflect strong execution of the Company's strategy to generate targeted growth through its established ecommerce channels in the US market, leveraging its IP in the sales and product mix to accelerate uptake of high-margin SKUs.

Alongside its leading Liver Detox SKU, new product development is well advanced with multiple SKU launches expected early Q2 CY2025. Management remains focused on three key areas including increasing net sales from US operations, continuing to reduce operating expenditure via completion of third-party contracts and relocation of financial duties to Australia, and increasing gross margin as a percentage of net sales. These initiatives have been set out with clear performance metrics to provide a benchmark for the group's strategic objective to achieve cash-flow break-even from US operations.

Indicative timetable

Event	Date
Announcement Date Placement and Rights Issue announced and Appendix 3B and notice under section 708AA lodged with ASX	Tuesday, 18 March 2025
Record Date	Friday, 21 March 2025, 7.00pm AEDT
Settlement of the Placement Company lodges Appendix 2A	Tuesday, 25 March 2025
New Shares issued under the Placement Company lodges notice under section 708A	Wednesday, 26 March 2025
Opening Date of the Rights Issue	Wednesday, 26 March 2025
Company makes Offer Booklet available to Eligible Shareholders	Wednesday, 26 March 2025
Closing Date of the Rights Issue	Friday, 11 April 2025, 5:00pm AEDT
Announcement of results of the Rights Issue	Wednesday, 16 April 2025
Settlement of the Rights Issue	Thursday, 17 April 2025
Issue of Shares under the Rights Issue Company lodges Appendix 2A	Tuesday, 22 April 2025
Trading of Shares	Wednesday, 23 April 2025
Despatch of holding statements for the Shares	Wednesday, 23 April 2025

Management commentary:

Chief Executive Officer, Mr Oliver Baker said: *"We are pleased to announce the capital raising, which provides the Company with important capital flexibility as we execute on our US growth strategy, along with the additional funding from our planned Rights Issue. The Placement reflects a vote of confidence by Mr Constable, an experienced professional investment manager, in the Company's growth trajectory. In addition, Mr Constable's appointment as Non-Executive Director will significantly strengthen the composition of the HydraLyte USA board, and we look forward to working with him in pursuit of the Company's US expansion strategy. With strong growth across our continuing US operations, this funding round gives us the opportunity to capitalise on our recent momentum and pursue a pathway to breakeven and profitability."*

PURE Arrangements

PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund ("PURE" or "PURE Asset Management") currently holds approximately 19.99% of the Company's issued shares (which will be diluted as a result of the Placement).

PURE also holds the following warrants:

- 14.9 million warrants, which expire on 3 November 2026 and have a minimum exercise price of the lower of \$0.0533 and a 20% discount to the share price realised as a result of any change of control transaction ("Tranche 1 Warrants"); and
- 85.0 million warrants (the "Tranche 2 Warrants"), which expire on 27 March 2028 and have a minimum exercise price of the lower of:
 - \$0.02;
 - a 20% discount to the share price realised as a result of any change of control transaction; and
 - an anti-dilution price adjustment price.

PURE has agreed to amend the terms of the Tranche 2 Warrants such that the anti-dilution price adjustment mechanism will be removed. Accordingly, the exercise price of the Tranche 2 Warrants will not be adjusted downwards as a result of this capital raising (or any future capital raising), except as provided in the ASX Listing Rules. An analogous agreement was reached in connection with the Tranche 1 Warrants in July 2023 and HPC shareholders approved the amendments to the Tranche 1 Warrants at a general meeting held on 26 September 2023.

Shareholder approval for the amendment to the exercise price of the Tranche 2 Warrants will be sought at the 2025 Annual General Meeting (to be held on Wednesday, 28 May 2025). Until then, PURE has agreed not to exercise the Tranche 2 Warrants.

PURE has also committed to subscribe for its full entitlement under the Rights Issue, representing approximately ~\$122,000 of proceeds (before costs).

ENDS

This announcement was authorised for release by the Board of HydraLyte USA.

For further information:

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Forward Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of HydraLyte USA. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.