

# HydraLyte®

## Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.2A)

Company Name:	The Hydration Pharmaceuticals Company Limited (the 'Company')
ABN:	83 620 385 677
Reporting Period:	Financial year ended 31 December 2025
Previous Reporting Period:	Financial year ended 31 December 2024

Hydration solutions company, The Hydration Pharmaceuticals Company Limited (ASX: HPC) ("Hydralyte North America" or "the Company"), is pleased to report on its activities and cash flows for the 12 months ending 31 December 2025 (FY2025).

**IMPORTANT NOTE:** *The consolidated financial statements and this associated analysis is presented in USD (\$), which is The Hydration Pharmaceuticals Company Limited's functional and presentation currency.*

### Results for Announcement to the Market for Year Ending 31 December 2025:

Revenue	Down	22.9%	to	\$2,471,732
Loss after tax attributable to members	Down	207.2%	to	\$2,860,896
Net loss for the period attributable to members	Down	207.2%	to	\$2,860,896
Net cash used in operating activities	Down	5.8%	to	\$3,653,770

### Highlights

FY2025 was a structural reset year for the Group marking the transition to a focused US-only operating model following the divestiture of non-US assets. Revenue from continuing operations was US\$2.47m reflecting deliberate channel refinement plus SKU rationalisation as the Company prioritised margin quality plus operational efficiency over top-line expansion. While the year reflects removal of discontinued operations plus associated one-off gains it does not represent a fully normalised standalone US cost base as the first quarter continued to carry transition plus separation costs associated with the exit from Canada. The streamlined operating structure was substantially implemented from Q2 2025 with further refinement entering 2026.

The Group undertook significant cost restructuring during the year reducing sales, marketing plus employee costs while streamlining operations across multiple expense lines. As part of this broader program the Group reduced headcount to four FTEs supported by outsourced finance capability. Together these actions reduced the loss from continuing operations to US\$2.75m plus materially lowered the ongoing monthly cost base. Subsequent to the reporting period in February 2026 the Company further reduced headcount to two core FTEs with creative services including marketing content plus digital production transitioned to specialist external agencies. This post year end adjustment further reduces fixed overhead while enabling the business to leverage external best practice capability on a variable cost basis. The Company ended the year with US\$1.1m cash no debt positioning the business with a simplified capital structure plus improved financial flexibility.

Looking forward the Group is focused on rebuilding revenue from a higher-margin base led by the HydraLyte PLUS range. New social media agencies plus external design support have been appointed with activity commencing immediately to strengthen brand execution, digital performance plus consumer engagement. A comprehensive redesign of the HydraLyte PLUS range is planned across 2026 to enhance packaging clarity, visual impact plus retail presence. The Company has already strengthened its supply chain through the appointment of higher quality manufacturing partners with new product now in market from these providers delivering improved production consistency, quality control plus margin profile. The Board is actively

progressing a range of strategic initiatives including potential capital raisings, strategic partnerships plus merger plus acquisition opportunities to strengthen the balance sheet accelerate growth plus enhance long-term shareholder value.

### Dividends

No dividends have been paid or declared since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

### Net Tangible Assets

	31 December 2025	31 December 2024
Net Tangible Assets/(Liabilities)	\$1,418,827	\$2,742,091
Shares (No.)	430,800,926	304,913,073
Net Tangible Assets per Share (cents)	0.003	0.01

### Earnings / (Loss) per Share

	31 December 2025	31 December 2024
Basic earnings/(loss) per share in cents	(0.74)	0.92
Diluted earnings/(loss) per share in cents	(0.74)	0.72

### Change in control:

There are no entities for which control was gained or lost in the period.

### Status of Audit of Accounts

The financial statements have been audited and released together with this 4E report.

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# **The Hydration Pharmaceuticals Company Limited**

ABN 83 620 385 677

**Consolidated Financial Statements**

**For the Year Ended 31 December 2025**

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

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# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the financial year ended 31 December 2025.

### Directors

The names of each person who has been a director during the year and up to the date of this report are:

Adem Karafili	Existing Chair and Director
Margaret Hardin	Existing Director
Nicholas Berry	Existing Director
Joseph Constable	New Director, appointed 11 April 2025

Directors have been in office since the start of the financial year and up to the date of this report unless otherwise stated.

### Principal activities

The principal activities of the Group during the financial year were wholesale suppliers and online retailers of Hydralyte products in The United States of America. The Group holds the license for the distribution rights to Hydralyte for the US only.

### Operating results

The consolidated loss of the Group amounted to \$2,860,896 (2024: profit of \$2,667,533).

### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### Review of operations

Hydralyte is a consumer products company that markets and sells a range of liquid, tablet and powder Healthy Hydration Solutions products into the US market, under the Hydralyte brand.

Hydralyte collates and translates consumer insights and needs into developing and delivering quality hydration products to market. The Company's business model is an asset light, flexible production model that allows it to outsource manufacturing and packaging to appropriate suppliers. The Company uses trusted leading manufacturing partners with the necessary certifications and expertise to produce high quality hydration products that can be distributed to retailers and, ultimately, end customers.

A review of the operations of the Group during the financial year and the results of those operations show a year of significant cost cutting to improve profitability. The company delivered savings on the majority of expense lines as it streamlined operations post the divestiture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries in the prior year. The Group retained full ownership of its US-based operations, and separated itself from Canadian operations in March 2025.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Significant changes in state of affairs

The Group welcomed investment from Joseph Constable who joined the Board in March 2025. In conjunction with his appointment, the Group offered shares to existing shareholders at a like for like basis to Joseph's share issue.

Details of the placement and rights issue are below.

- Strategic Placement: A\$650,000 was raised via strategic placement to Mr Joseph Constable and another investor via the issue of 65,000,000 new fully paid ordinary shares at \$0.01 per share (Offer Price). The securities were issued on 26th March 2025. Mr Constable was formerly an Executive Director at Hancock & Gore, and is an experienced company Director. Mr Constable is to be appointed as a Non-Executive Director of HPC.

Post the divestiture of the Canadian business, the group significantly reduced headcount, moving down to four FTEs supported by a fractional CFO and 3<sup>rd</sup> party finance team.

### Events after the reporting date

Subsequent to the end of the financial year.

In February 2026, the Company made further cuts outsourcing its marketing and content team enabling it to reduce headcount by another 2 FTEs.

In addition, the Board accepted the resignation of Board member Margaret Hardin.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

### Likely developments and expected results of operations

The directors expect that the Group will continue to carry out its principal activities as detailed above.

The Board is currently considering a range of strategic transactions to seek to strengthen the Company's financial position and performance. The strategic transactions include potential capital raisings. The Company has had discussions with a range of potential investors or counterparties in respect of strategic transactions and certain of those discussions are continuing.

The Board cautions that, despite the best efforts of the Company, there is no certainty that any strategic transaction will eventuate.

The Company will update the market as to the progress of any strategic transaction as and when required by the Listing Rules.

There are no other known or likely developments which the directors foresee that they wish to disclose at this time.

### Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Information on directors

The following information is current as at the date of this report.

Adem Karafili

Adem is the Chairman and founder of ANGL Korp, his investment vehicle for both ventures and investments. In his previous career, Adem was a highly effective executive across a range of sectors and industries, having spent seven years establishing Swisse Wellness as the leading global health and wellness brand before it's sale to Biostime International for over \$1.7 billion. While at Swisse, Adem held senior positions of Chief Financial Officer, Chief Operating Officer and Managing Director. Adem is a CPA, having studied a Bachelor of Business Administration (B.B.A.) - Accounting.

Margaret Hardin

Margaret is a global products senior executive, with extensive experience. She has previously scaled two consumer goods companies to generate more than US\$100m in revenue, and currently advises founders on growth opportunities. Most recently, Ms Hardin was CEO of ERGObaby Carrier Inc. During her time with the group, she revived product innovation while managing an omni-channel distributor, retail and ecommerce model across over 60 countries and 19 company-owned websites. Prior to ERGObaby Carrier Inc., Ms Hardin was CFO during the early stages of US baby and accessories company Munchkin and was progressively promoted to President and COO. She grew the company to a major brand leader in the juvenile industry, where she led sales, acquisitions, brand partnerships and marketing efforts. She oversaw the opening of sales operations in Canada and launched the EMEA headquarters.

Nicholas Berry

Nick Berry brings over 19 years of experience in the Australian finance industry, specialising in equity and debt capital markets, mergers and acquisitions and strategic planning. With a proven track record in raising capital and structuring and negotiating complex financial transactions, Nick has demonstrated extensive expertise and leadership in the field. He previously served as an Executive Director at Nomura Australia and is currently a Director of PURE Asset Management Pty Ltd. Nick holds a Master of Engineering (MEng) from the University of Bath and is a Member of the Australian Institute of Company Directors.

Joseph Constable

Joseph is an investor with a focus on smaller ASX-listed companies. Joseph is a non-executive director of Po Valley Energy (ASX: PVE), He was previously an executive director of Hancock & Gore (ASX: HNG), and portfolio manager at H&G Investment Management Limited and Executive Director at H&G High Conviction Limited (ASX: HCF).

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and other Committees held during the year ended 31 December 2025, and the number of meetings attended by each director were:

Board Meetings		Audit, Risk & Compliance Committee Meetings <sup>4</sup>		Remuneration & Nomination Committee Meetings <sup>4</sup>	
Entitled to attend <sup>1</sup>	Attended <sup>2</sup>	Entitled to attend <sup>1</sup>	Attended <sup>2</sup>	Entitled to attend <sup>1</sup>	Attended <sup>2</sup>
Adem Karafili (Chair)	11	-	-	-	-
Margaret Hardin	11	-	-	-	-
Nicholas Berry	11	-	-	-	-
Joseph Constable	7	-	-	-	-
<b>Total number of meetings held</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Number of meetings held that the director was entitled to attend as a director of the Board.

<sup>2</sup>Number of meetings attended by the director.

<sup>3</sup>Joseph Constable was appointed as a non-executive director effective 11 April 2025.

<sup>4</sup>The Audit, Risk & Compliance Committee and Remuneration & Nomination Committee were dissolved in May 2024. All committee matters are dealt with via the Board at Board meetings.

### Company secretary

The following person held the position of Group secretary at the end of the financial year: Victoria Nadalin

Victoria Nadalin continued her role as Company Secretary throughout the financial year. Victoria was appointed on 8 February 2023. Victoria Nadalin is the Associate Director of Corporate Governance at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies. In addition, she is an Associate Lawyer at Coghlan Duffy Lawyers, specialising in corporate law and equity capital markets. Victoria holds a Bachelor of Arts and a Bachelor of Law from Deakin University and is admitted as a lawyer in the state of Victoria. Victoria is also completing the Graduate Diploma of Applied Corporate Governance and Risk Management from the Governance Institute of Australia.

### Indemnification and insurance of officers and auditors

During the year, the Group paid a premium to insure the directors and officers of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal procedures that may be brought against the officers in their capacity as officers of the Company.

### Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the *Corporations Act 2001*.

### Remuneration report

#### (a) Key management personnel covered in this report

This report details the nature and amount of remuneration of each Director of The Hydration Pharmaceuticals Company Limited and all other Key Management Personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Remuneration report (continued)

#### (a) Key management personnel covered in this report (continued)

Names	Position	Appointment/Resignation
<b>Directors</b>		
Adem Karafili	Chair, Non-Executive Director	Existing Director
Margaret Hardin	Independent, Non-Executive Director	Existing Director
Nicholas Berry	Non-Executive Director	Existing Director
Joseph Constable	Non-Executive Director	Appointed 11 April 2025
<b>Key Management Personnel</b>		
Oliver Baker	CEO	

#### (b) Remuneration policy and link to performance

Remuneration of all Non-Executive Directors and Officers of the Company is determined by the Board following recommendation by the Remuneration and Nomination Committee.

The Company is committed to remunerating Directors in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount limit approved by shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance-based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

#### Remuneration framework

Element	Purpose	Performance metrics
Fixed remuneration	Provide competitive market salary including superannuation	Nil-Positioned at median market rate
Short-term incentives (STI)	Reward for in-year performance	Successful contract negotiations, successful revenue growth, and completion of set milestones
Long-term incentives (LTI)	Alignment to long-term shareholder value	3 year revenue performance

#### Balancing short-term and long-term performance

2025 Annual Incentives were focused on stabilising the US operations post the divestiture. Board and Management have chosen not to implement a long-term incentive plan given The Board is currently considering a range of strategic transactions.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Remuneration report (continued)

#### Remuneration framework (continued)

##### *Assessing performance*

The Remuneration and Nomination Committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the Committee receives detailed reports on performance from management.

#### **(c) Elements of remuneration**

##### *(i) Fixed annual remuneration*

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance. Fixed annual remuneration is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Remuneration and Nomination Committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

##### *(ii) Short-term incentives*

The purpose of short-term incentives is to reward individual performance in line with Company objectives. Consequently, short-term incentives are typically paid in cash or may be settled as equity subject to the discretion of the Remuneration and Nomination Committee, where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of short-term KPI's to determine achievement, depending on the role of the executive being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- successful revenue growth; and
- completion of set milestones.

The Non-Executive Directors do not have short-term incentives.

##### *(iii) Long-term incentives*

Board and Management have chosen not to implement a long-term incentive plan given The Board is currently considering a range of strategic transactions

#### **(d) Link between remuneration and performance**

##### *FY 2025 performance and impact on remuneration*

The Group's performance in 2025 was focused on streamlining operations for the US market only. Management reduced team costs and focused on high profitable SKUs and channels, establishing a platform to target breakeven in future years.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Remuneration report (continued)

#### Company financial performance

Directors have been compensated for work undertaken and the responsibilities assumed in being Directors of this publicly listed company based on industry practice. Consistent with good corporate governance practices, compensation of Non-Executive Directors is not linked to specific performance hurdles or objectives.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues to invest in growth to reach break even.

This pattern is indicative of the Company's performance over the past three years. Accordingly, no dividends have been paid during the year, or in respect of the 2025 financial year.

	Revenue from continuing and discontinuing operations	Net Profit/ (Loss)	Share Price at Balance Sheet Date	Profit/(Loss) per Share
	US\$	US\$	A\$	US\$
2025	2,471,732	(2,860,896)	0.005	(0.01)
2024	8,726,507	2,667,533	0.02	0.01
2023	10,041,184	(8,102,378)	0.02	(0.04)
2022	9,099,968	(10,607,166)	0.09	(0.07)
2021	6,127,178	(8,951,661)	0.30	(0.12)

The Group has presented financial years for which consolidated financial information was prepared in the above table.

#### (e) Remuneration expenses for Directors and other key management personnel

The following table shows details of the remuneration expense recognised for the Directors and other key management personnel for the financial year measured in accordance with the requirements of the applicable accounting standards.

	Fixed Remuneration			Variable Remuneration			Total
	Cash salary and fees	Health and other Insurance	Superannuation contribution	Cash bonus	Options/ Performance Rights	Other**	
2025	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Adem Karafili	62,460	-	-	-	-	-	62,460
Margaret Hardin	52,050	-	-	-	-	-	52,050
Nicholas Berry	52,050	-	-	-	-	-	52,050
Joseph Constable*	39,038	-	-	-	-	-	39,038
<b>Key Management Personnel</b>							
Oliver Baker	325,800	41,629	13,032	20,000	-	13,868	414,329
	<b>531,398</b>	<b>41,629</b>	<b>13,032</b>	<b>20,000</b>	<b>-</b>	<b>13,868</b>	<b>619,927</b>

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report 31 December 2025

### Remuneration report (continued)

#### (e) Remuneration expenses for Directors and other key management personnel (continued)

	Fixed Remuneration			Variable Remuneration			Total
	Cash salary and fees	Health and other Insurance	Superannuation contribution	Cash bonus	Options/ Performance Rights	Other**	
2024	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Adem Karafili	66,158	-	-	-	1,383	-	67,541
Margaret Hardin	51,933	-	-	-	1,383	-	53,316
George Livery***	31,088	-	-	-	-	-	31,088
Nicholas Berry	27,055	-	-	-	-	-	27,055
<b>Key Management Personnel</b>							
Oliver Baker	320,788	36,742	13,032	250,000	161,088	7,152	788,802
Chris Kavanaugh	225,332	36,764	9,120	127,410	77,605	19,025	495,256
	<u>722,354</u>	<u>73,506</u>	<u>22,152</u>	<u>377,410</u>	<u>241,459</u>	<u>26,177</u>	<u>1,463,058</u>

\* Joseph Constable appointed 11 April 2025

\*\* Other relates to travel reimbursement

\*\*\* Resigned on 25 May 2024.

#### (f) Contractual arrangements with executive KMPs

Summaries of the key terms of the employment contracts of the Company's key employee - Oliver Baker

Term	Description
Total Fixed Remuneration (TFR)	Oliver Baker is entitled to receive TFR of US\$325,800 per annum residing in the US as a US tax resident. Oliver reduced his contracted base salary in 2024 to reduce overall salary expenses.
Contract duration	Ongoing contracts
Notice by the individual/Company	Each key employee is employed "at will" and their employment agreement may be terminated by either party at any time and for any reason, with or without cause.  Each employment agreement may be terminated by either party on four months' notice (unless the agreement is terminated for cause, in which case termination will be immediate).
Restraints	All payments on termination will be subject to the termination benefits cap under the <i>Corporations Act 2001</i> . During their employment with the Company, the key employees may not (i) engage in any other employment, consulting or other business activity that conflicts or interferes with their obligations to the Company; or (ii) engage or participate in any business that is competitive with the Company.

# The Hydration Pharmaceuticals Company Limited

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## Directors' Report

31 December 2025

### Remuneration report (continued)

#### (g) Non-executive Director arrangements

Non-Executive Directors receive a board fee. The fees are inclusive of superannuation, where relevant.

The total aggregate amount approved by Shareholders at the Company's general meeting to be provided to all Non-Executive Directors for their services as Directors is fixed at US\$350,000 per annum.

The following annual Non-Executive Director fees were agreed to be paid by the Company commencing 3 October 2021:

- the Chairman is US\$62,460 (inclusive of superannuation); and
- each of the other Directors is US\$52,050 (inclusive of superannuation, where applicable).

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

#### (h) Terms and conditions of the share-based payment arrangements

In 2025, no options or share based payments were issued to management or directors.

In 2025, no performance rights were issued to management.

#### Reconciliation of options held by Directors/KMP

The table below shows a reconciliation of options held by each Director/KMP from the beginning to the end of the financial year. All vested options were exercisable.

2025 Director/KMP and Grant dates	Balance at the start of the year	Granted as compensation	Vested during the Year	Vested %	Exercised	Cancelled No.	Cancelled %	Other changes*	Year-end balance Vested and exercisable	Year-end balance Unvested
Oliver Baker										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	-	-	-	-	-	-	-	-	-	-
29-Aug-23	9,825,317	-	-	-	-	-	-	-	9,825,317	-
1-Mar-24	10,872,456	-	-	-	-	-	-	-	10,872,456	-
Chris Kavanaugh										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	-	-	-	-	-	-	-	-	-	-
1-Aug-23	4,912,659	-	-	-	-	-	-	-	4,912,659	-
1-Mar-24	5,110,333	-	-	-	-	-	-	(5,110,333)	-	-
Adem Karafili										
2-Oct-23	500,000	-	-	-	-	-	-	(500,000)	-	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571
19-Oct-21	1,000,000	-	-	-	-	-	-	-	1,000,000	-
31-Aug-19	-	-	-	-	-	-	-	-	-	-
1-Jan-19	74,739	-	-	-	-	-	-	-	74,739	-
Margaret Hardin										
2-Oct-23	166,667	-	-	-	-	(166,667)	100%	-	-	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571

\* The "Other changes" represent the options that lapsed due to the expiration of the options.

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Remuneration report (continued)

#### (h) Terms and conditions of the share-based payment arrangements (continued)

2024 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen- sation	Vested during the Year	Vested %	Exercised	Cancelled No.	Can- celled %	Other changes*	Year-end balance Vested and exercisable	Year-end balance Unvested
Oliver Baker										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	2,000,000	-	-	-	-	-	-	(2,000,000)	-	-
29-Aug-23	9,825,317	-	-	-	-	-	-	-	9,825,317	-
1-Mar-24	-	10,872,456	10,872,456	100%	-	-	-	-	10,872,456	-
Chris Kavanaugh										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	180,000	-	-	-	-	-	-	(180,000)	-	-
1-Aug-23	4,912,659	-	-	-	-	-	-	-	4,912,659	-
1-Mar-24	-	5,110,333	5,110,333	100%	-	-	-	-	5,110,333	-
Adem Karafili										
2-Oct-23	500,000	-	-	-	-	-	-	-	500,000	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571
19-Oct-21	1,000,000	-	-	-	-	-	-	-	1,000,000	-
31-Aug-19	900,000	-	-	-	-	-	-	(900,000)	-	-
1-Jan-19	74,739	-	-	-	-	-	-	-	74,739	-
George Livery										
2-Oct-23	277,778	-	-	-	-	-	-	-	277,778	-
27-May-22	71,429	-	-	-	-	-	-	-	-	71,429
Margaret Hardin										
2-Oct-23	166,667	-	-	-	-	-	-	-	166,667	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571

\* The "Other changes" represent the options that lapsed due to the expiration of the options

#### (i) Ordinary shareholdings held by Directors/KMP

The number of fully paid ordinary shares in the Company held during the financial year by each Director and other key management personnel, including shares held indirectly by them personally, are set out below:

2025	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year	Other**	Balance at the end of the year
<b>Directors</b>						
Adem Karafili	2,562,389	-	-	-	-	2,562,389
Joseph Constable	-	-	-	60,986,468	-	60,986,468
Margaret Hardin	372,463	-	-	-	-	372,463
Nicholas Berry*	60,952,123	-	-	-	-	60,952,123
<b>Other Key Management Personnel</b>						
Oliver Baker	1,129,212	-	-	3,199,222	-	4,328,434

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Report

31 December 2025

### Remuneration report (continued)

#### (i) Ordinary shareholdings held by Directors/KMP (continued)

2024	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year	Other**	Balance at the end of the year
<b>Directors</b>						
Adem Karafili	2,562,389	-	-	-	-	2,562,389
George Livery	881,659	-	-	-	(881,659)	-
Margaret Hardin	372,463	-	-	-	-	372,463
Nicholas Berry*	60,952,123	-	-	-	-	60,952,123
<b>Other Key Management Personnel</b>						
Oliver Baker	1,129,212	-	-	-	-	1,129,212

\* Initial Director's Interest. ASX Appendix 3X upon appointment 25 May 2024. Held under PURE Asset Management in which he is a Director.

\*\* Other represent movements resulting from the cessation of their directorship from the Company.

This is the end of the Remuneration Report.

#### Audit and non-audit services

Details of the amounts paid or payable to the auditor for audit and non-audit services during the year are disclosed in note 23.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors, in accordance with advice provided by the Audit, Risk & Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the impartiality 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.

#### Auditor's independence declaration

A copy of the auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* is set out on page 13.

#### Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

**The Hydration Pharmaceuticals Company Limited**

ABN 83 620 385 677

**Directors' Report**

**31 December 2025**

This director's report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



.....  
Adem Karafili

Melbourne

Dated this 27th day of February 2026

For personal use only

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of The Hydration Pharmaceuticals Company Limited and its controlled entities for the year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



**RSM AUSTRALIA PARTNERS**



**B Y CHAN**  
Partner

Dated: 27 February 2026  
Melbourne, Victoria

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2025

	2025	2024	
Note	\$	\$	
Revenue from continuing operations	4	2,471,732	3,204,940
Cost of sales		<u>(1,107,895)</u>	<u>(1,584,057)</u>
<b>Gross profit</b>		<b>1,363,837</b>	1,620,883
Other income		21,429	-
Sales and marketing expenses		(1,695,418)	(2,768,867)
Administrative expenses		(1,424,288)	(1,322,399)
Employee benefits expense	6	(1,390,333)	(1,726,505)
Fair value movement on derivative financial instruments		387,876	(113,242)
Foreign exchange gain/(loss)		(14,310)	399,522
Finance costs	5	<u>(72)</u>	<u>(1,763,666)</u>
<b>Profit/(loss) before income tax</b>		<b>(2,751,279)</b>	(5,674,274)
Income tax expense	7	-	-
<b>Profit/(loss) from continuing operations</b>		<b>(2,751,279)</b>	(5,674,274)
Profit/(loss) from discontinued operations	8	<u>(109,617)</u>	<u>8,341,807</u>
<b>Profit/(loss) for the year</b>		<b>(2,860,896)</b>	<u>2,667,533</u>
<b>Other comprehensive income/(loss), net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign controlled entities		719,075	(950,761)
- from continuing operations		-	650,816
- from discontinued operations		-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>719,075</b>	<u>(299,945)</u>
<b>Total comprehensive income/(loss) for the year</b>		<b>(2,141,821)</b>	<u>2,367,588</u>
<b>Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic and diluted earnings/(loss) per share (In cents)	28	(0.71)	(1.95)
<b>Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings/(loss) per share (In cents)	28	(0.03)	2.87
Diluted earnings/(loss) per share (In cents)	28	(0.03)	2.24
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:</b>			
Basic and diluted earnings/(loss) per share (In cents)	28	(0.74)	0.92
Diluted earnings/(loss) per share (In cents)	28	(0.74)	0.72

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

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Consolidated Statement of Financial Position

As at 31 December 2025

	Note	2025 \$	2024 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	9	1,118,581	3,216,510
Trade and other receivables	10	80,058	352,688
Inventories	11	873,936	1,095,654
Other assets	12	120,487	331,499
TOTAL CURRENT ASSETS		<u>2,193,062</u>	<u>4,996,351</u>
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		<u>2,193,062</u>	<u>4,996,351</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	13	564,155	1,664,394
Derivative financial instruments	14	210,080	568,609
TOTAL CURRENT LIABILITIES		<u>774,235</u>	<u>2,233,003</u>
NON-CURRENT LIABILITIES			
Provisions		-	21,257
TOTAL NON-CURRENT LIABILITIES		-	<u>21,257</u>
TOTAL LIABILITIES		<u>774,235</u>	<u>2,254,260</u>
NET ASSETS		<u>1,418,827</u>	<u>2,742,091</u>
<b>EQUITY</b>			
Contributed equity	15	40,478,664	39,672,837
Reserves	16	4,211,687	3,479,882
Accumulated losses		(43,271,524)	(40,410,628)
TOTAL EQUITY		<u>1,418,827</u>	<u>2,742,091</u>

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

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2025

2025

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
Note	\$	\$	\$	\$	\$
<b>Balance at 1 January 2025</b>	<b>39,672,837</b>	<b>(40,410,628)</b>	<b>(1,616,615)</b>	<b>5,096,497</b>	<b>2,742,091</b>
Loss for the year	-	(2,860,896)	-	-	(2,860,896)
Other comprehensive income	16	-	719,075	-	719,075
<b>Total comprehensive income for the year</b>	-	<b>(2,860,896)</b>	<b>719,075</b>	-	<b>(2,141,821)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	15	805,827	-	-	805,827
Employee share scheme	16	-	-	12,730	12,730
<b>Balance at 31 December 2025</b>	<b>40,478,664</b>	<b>(43,271,524)</b>	<b>(897,540)</b>	<b>5,109,227</b>	<b>1,418,827</b>
<b>2024</b>					
<b>Balance at 1 January 2024</b>	39,328,597	(43,078,161)	(1,316,670)	4,707,979	(358,255)
Profit for the year	-	2,667,533	-	-	2,667,533
Other comprehensive income	16	-	(299,945)	-	(299,945)
<b>Total comprehensive loss for the year</b>	-	<b>2,667,533</b>	<b>(299,945)</b>	-	<b>2,367,588</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	15	344,240	-	-	344,240
Employee share scheme	16	-	-	388,518	388,518
<b>Balance at 31 December 2024</b>	<b>39,672,837</b>	<b>(40,410,628)</b>	<b>(1,616,615)</b>	<b>5,096,497</b>	<b>2,742,091</b>

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

**The Hydration Pharmaceuticals Company Limited**

ABN 83 620 385 677

**Consolidated Statement of Cash Flows  
For the Year Ended 31 December 2025**

	2025	2024
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of VAT)	<b>2,754,295</b>	9,330,994
Payments to suppliers and employees (inclusive of VAT)	<b>(6,407,993)</b>	(12,518,097)
Interest paid	<b>(72)</b>	(691,984)
Net cash inflow/(outflow) from operating activities	<b>(3,653,770)</b>	(3,879,087)
22		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of assets	-	9,443,885
Net cash inflow/(outflow) from investing activities	-	9,443,885
8		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of equity securities	<b>805,827</b>	-
Proceeds from borrowings	-	1,109,673
Transaction costs from issuance of equity securities	-	(23,969)
Repayment of borrowings	-	(5,154,138)
Net cash inflow/(outflow) from financing activities	<b>805,827</b>	(4,068,434)
Net increase/(decrease) in cash and cash equivalents	<b>(2,847,943)</b>	1,496,364
Cash and cash equivalents at beginning of financial year	<b>3,216,510</b>	1,840,274
Effects of exchange rate changes on cash and cash equivalents	<b>750,014</b>	(120,128)
Cash and cash equivalents at end of financial year	<b>1,118,581</b>	3,216,510
9		

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

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

The consolidated financial report covers The Hydration Pharmaceuticals Company Limited and its controlled entities ('the Group'). The Hydration Pharmaceuticals Company Limited is a for-profit Group limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in USD (\$) which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 27 February 2026. The Directors have the power to amend and reissue the financial statements.

### 1 Basis of preparation

#### *General Purpose*

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board 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.

#### *Historical cost convention*

The consolidated financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The amounts presented in the consolidated financial statements have been rounded to the nearest dollar unless stated otherwise.

#### *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### *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 normal course of business.

As disclosed in the financial statements, the Group incurred a loss from continuing operations of \$2,751,279 and had net cash outflows from operating activities of \$3,653,770 for the year ended 31 December 2025.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has undertaken a process to rationalise costs, including targeted headcount reduction expected to deliver ongoing cost savings of approximately USD\$25,000 per month.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 1 Basis of preparation (continued)

#### *Going Concern (continued)*

- The Group has prepared cash flow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this period. The cashflow forecasts includes assumptions around a future capital raise or access to alternate funding sources.
- The Group has demonstrated the ability to raise funds and the Directors are confident that a future fund raising, if necessary, would be successful.
- As at 31 December 2025 the Group had cash of \$1,118,581 and no debt.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

### 2 Summary of material accounting policies

#### (a) Foreign currency translation

##### *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD (\$), which is The Hydration Pharmaceuticals Company Limited's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

##### *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (a) Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### (b) Principles of consolidation

##### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full for the purpose of these consolidated financial statements.

All controlled entities have a December financial year end.

A list of controlled entities is contained in note 18 to the consolidated financial statements.

#### (c) Revenue and other income

Sales of goods are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Goods are often sold with discounts, rebates and promotional incentives. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts, rebates and promotional incentives which are highly dependent or inter-related with the sales contracts such that the customer could not benefit from one without the other. Accumulated experience is used to estimate and provide for such discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

##### *Interest income*

Interest income is recognized using the effective interest method.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (d) Income tax

The tax expense recognized in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit or loss.
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognized as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognized in other comprehensive income or equity, in which case the tax is recognized in other comprehensive income or equity respectively.

#### (e) Government legislated tax (Sales tax/HST/GST)

Revenues, expenses and assets are recognized net of the amount of associated Government legislated tax (Sales Tax/HST/GST), unless the Government legislated tax (Sales Tax/HST/GST) incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of Government legislated tax (Sales Tax/HST/GST) receivable or payable. The net amount of Government legislated tax (Sales Tax/HST/GST) recoverable from, or payable to, the taxation authority is included within other receivables or payables in the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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, and bank overdrafts.

#### (g) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days of invoicing and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less a loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of previous sales and the corresponding historical credit losses experienced.

#### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories are determined using the average costing basis which includes cost to acquire the inventories plus additional freight costs. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

#### (i) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

The Group only has financial assets categorised as those measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (i) Financial instruments (continued)

##### Financial assets (continued)

###### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method less any provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

###### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (i) Financial instruments (continued)

##### Financial assets (continued)

###### *Trade receivables*

Impairment of trade receivables has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of impairment is recorded in a separate allowance account with the loss being recognised in administrative expenses. Once the receivable is determined to be uncollectible then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

###### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost is determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced a significant increase in credit risk, then the lifetime losses are estimated and recognized.

#### (j) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

#### (k) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value of derivatives are recognized through the profit or loss.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (l) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

#### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### (n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the end of the reporting period.

#### (o) Provisions

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

#### (p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 2 Summary of material accounting policies (continued)

#### (q) Share-based payments

The Group provides share-based compensation benefits to selected employees and directors. The fair value of options and performance rights granted to selected employees and directors are recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### (r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### (s) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that Instrument to the nearest dollar.

#### (t) Parent entity financial information

The financial information for the parent entity, The Hydration Pharmaceuticals Company Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements except as disclosed below.

##### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity, less any impairment.

##### *Tax consolidation legislation*

The Hydration Pharmaceuticals Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 3 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

#### (a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

During the transition to new accounting system in 2025, the Company updated its cost of goods sold methodology to a Standard Cost of Goods method using the most recent supplier invoice price plus an overhead allocation for each SKU.

The areas involving a higher degree of judgement or estimates include the warrants issued by the Group and the Group's share based payment awards.

The fair value of the warrants was determined using valuation methods, including Monte Carlo simulation, which takes into account various inputs and assumptions including the share price at the valuation date, the exercise price, dividend yield, the risk-free rate, the effective life, expected price volatility and other dilutionary impacts. The fair value was determined using valuation techniques that maximise the use of observable market data and as such this is considered to be in level 2 of the fair value hierarchy.

The fair values of the share based payment awards at grant date are determined using valuation methods, including Black-Scholes Models, which take into account various inputs and assumptions including the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate. Further details are outlined in note 26.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 4 Revenue from continuing operations

	2025	2024
	\$	\$
Revenue from contracts with customers	<u>2,471,732</u>	<u>3,204,940</u>

The Group derives its revenue from the transfer of goods at a point in time in the US region in following product lines:

	2025	2024
	\$	\$
Granules	1,847,628	2,275,508
Liquids	608,489	673,037
Tablets	15,615	256,395
<b>Total</b>	<u>2,471,732</u>	<u>3,204,940</u>

US revenue decline was primarily driven by SKU and channel rationalisation. The company prioritised its highest-margin, most consistent revenue products. While this reduced top-line growth, it materially improved operating margins. Improving profitability has been the core focus since the divestment of all non-US territories. By late 2025, revenue stabilised and expenses continued to decline in line with the company's objective of reaching breakeven. This has resulted in ongoing EBITDA improvement and reduced cash burn.

### 5 Finance costs

	2025	2024
	\$	\$
Interest expense	72	1,763,666
<b>Total</b>	<u>72</u>	<u>1,763,666</u>

### 6 Result for the year

The result for the year includes the following specific expenses:

	2025	2024
	\$	\$
Employee benefits expense	1,390,333	1,726,505
Expense relating to short-term leases	29,454	38,773

The employee benefits expense line includes \$12,730 of share based payments expense, refer to further details outlined in note 27.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 7 Income tax expense

(a) The major components of income tax expense comprise:

	2025	2024
	\$	\$
Current tax expense		
Income tax	-	-
Deferred tax expense		
Deferred tax	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>

(b) Numerical reconciliation of income tax to prima facie tax payable:

	2025	2024
	\$	\$
Loss from continuing operations before income tax expense	(2,751,279)	(5,674,274)
Tax at the US tax rate of 21.0% (2024 - 21.0%)	21.00 %	21.00 %
	<b>(577,769)</b>	<b>(1,191,598)</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Expenses not deductible for tax purposes	78,449	60,119
- Difference in overseas tax rate	2,076	(101,038)
- Current year temporary differences not recognised	(427,451)	(138,366)
- Current year tax losses not recognised	924,695	1,370,883
<b>Income tax expense</b>	<b>-</b>	<b>-</b>
Unused tax losses for which no deferred tax asset has been recognised	37,092,716	36,168,020
Potential tax benefit	7,276,014	7,094,628

The unused tax losses were incurred by the Group and there are uncertainties about the ability to generate taxable income in the foreseeable future. The potential tax benefit is calculated based on the relevant local tax rates.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 8 Discontinued Operations

On 2nd October 2024 the Group announced the completion of the divesture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries for a total consideration of approximately US\$9.45m resulting in a gain on disposal before income tax of US\$7.96m. The Group retained full ownership of its US-based operations.

In the first quarter of 2025, The Group concluded its transition services agreement with Prestige Consumer Healthcare and ceased operations in the Canadian market.

#### Financial Performance Information

	2025	2024
	\$	\$
Revenue	-	5,521,566
Cost of sales	-	(2,225,974)
<b>Gross profit</b>	-	3,295,592
Other income	-	606
Sales and marketing expenses	-	(1,818,514)
Administrative expenses	(419)	(539,832)
Salaries and wages	(109,198)	(797,061)
Forex gain/(loss)	-	1,333
<b>Profit/(loss)</b>	<b>(109,617)</b>	142,124
Income tax expense	-	-
<b>Profit/(loss) after tax</b>	<b>(109,617)</b>	142,124
Gain/(loss) on disposal before tax	-	8,199,683
Income tax expense	-	-
<b>Gain/(loss) on disposal after tax</b>	<b>-</b>	<b>8,199,683</b>
<b>Profit/(loss) after tax from discontinued operations</b>	<b>(109,617)</b>	<b>8,341,807</b>

#### Details of disposal

	2025	2024
	\$	\$
Total sale consideration	-	9,443,885
Carrying value of net assets disposed	-	(1,244,202)
Derecognition of foreign currency reserve	-	-
Disposal costs	-	-
<b>Gain on disposal before tax</b>	<b>-</b>	<b>8,199,683</b>
Income tax expense	-	-
<b>Gain on disposal after tax</b>	<b>-</b>	<b>8,199,683</b>

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 8 Discontinued Operations (continued)

#### Cash flow information

	2025	2024
	\$	\$
Net cash from/(used in) operating activities	-	(1,140,475)
Net cash from/(used in) investing activities	-	9,443,885
<b>Net increase/(decrease) in cash and cash equivalents from discontinued operations</b>	<b>-</b>	<b>8,303,410</b>

#### Carrying amounts of assets and liabilities disposed

	2025	2024
	\$	\$
Inventories	-	1,244,202
<b>Total assets</b>	<b>-</b>	<b>1,244,202</b>
<b>Net assets</b>	<b>-</b>	<b>1,244,202</b>

### 9 Cash and cash equivalents

	2025	2024
	\$	\$
Cash at bank and in hand	1,118,581	3,216,510
	<b>1,118,581</b>	<b>3,216,510</b>

### 10 Trade and other receivables

	2025	2024
	\$	\$
Trade receivables	80,858	357,329
Provision for expected credit loss	(3,363)	(14,860)
Other receivables	2,563	10,219
	<b>80,058</b>	<b>352,688</b>

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On this basis, the Group determined a loss allowance of \$3,363 as at 31 December 2025.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 11 Inventories

	2025	2024
	\$	\$
Raw materials and consumables	121,833	121,833
Finished goods	644,727	1,083,724
Goods in transit	-	259,441
Prepayments	107,376	-
Provision for obsolete stock	-	(369,344)
	<b>873,936</b>	<b>1,095,654</b>

### 12 Other assets

	2025	2024
	\$	\$
Prepayments	120,487	331,499

### 13 Trade and other payables

	2025	2024
	\$	\$
Trade payables	146,524	277,066
Returns and other liabilities	212,472	211,877
Accrued expenses	205,159	1,175,451
	<b>564,155</b>	<b>1,664,394</b>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

### 14 Derivative financial instruments

On 17 October 2022, the Group entered into a A\$12m two-tranche secured loan facility (the "Facility" or "Original PURE Facility") with boutique asset manager and existing substantial shareholder PURE Asset Management Pty Ltd ("PURE" or "PURE Asset Management").

The loan is documented in a facility agreement between the Group, its subsidiaries and PURE Asset Management Pty Ltd in its capacity as trustee for The Income and Growth Fund (**Facility Agreement**) dated 14 October 2022 (**Facility Date**) together with a General Security Deed between the same parties dated the same date.

On 27 March 2024, the signed a variation to its facility agreement with PURE Asset Management Pty Ltd. Under the terms of the variation, Hydralyte secured A\$1.7m in new funding.

The Group subsequently extinguished its previously held debt facility with Pure Asset Management following the divestiture of non-US assets (refer note 8).

#### Warrants

As part of the initial funding package, the Group issued 22,413,794 warrants to acquire fully paid ordinary shares (**Shares**) to PURE (or nominee) on drawdown of the first tranche, utilising the Group's existing capacity under ASX Listing Rule 7.1 (**First Tranche Warrants**).

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 14 Derivative financial instruments (continued)

On 25 October 2023, PURE exercised 7,471,261 First Tranche Warrants, leaving 14,942,533 First Tranche Warrants remaining. In addition, PURE agreed to amend the floor exercise price of the First Tranche Warrants to A\$0.053, as outlined in the anti-dilution formula below.

As a part of the revision, in conjunction with the Amended PURE Facility, a 'Second Warrant Deed' was entered into between the Company and PURE. The company issued 85,000,000 Warrants in connection with the Third Loan.

The Third Tranche Warrants will be exercisable for Shares at an exercise price (Third Tranche Exercise Price) representing the lower of:

- \$.02;
- A 20.0% discount to the price of any change of control transaction; and
- An 'anti-dilution price adjustment' price (see below for further details).

The First Tranche Warrants are exercisable for Shares at an exercise price representing the lower of:

- \$0.29;
- a 20.0% discount to the price of any change of control transaction; and
- an 'anti-dilution price adjustment' price (see below for further details).

#### Anti-dilution price adjustment

If the Group makes an issue of equity securities (or a series of consecutive issuances of equity securities in any period not exceeding 12 months), other than the exercise or conversion of options, rights or other convertible securities on issue at the Facility Date, and the diluted amount of those equity securities (in aggregate) exceeds 15% of the number of Shares on issue immediately before the announcement of the issue or first issuance, the anti-dilution price adjustment price of the Warrants will be calculated in accordance with the following formula:

$(A + B) / C$ , where:

- **A** is the market capitalization of the Group on the trading day prior to the announcement of the issue of equity securities;
- **B** is the number of equity securities the subject of the issue multiplied by their issue price; and
- **C** is the number of Shares on issue immediately before the announcement of the issue of equity securities plus the diluted amount of the issued equity securities.

As of 26 September 2023, the warrants were amended to a fixed exercise price of A\$0.053.

#### Expiry of the Warrants

The Warrants expire on the date that is 7 days prior to the repayment date of the loan (being 48 months after utilisation of the first tranche).

The Third Tranche Warrants expire and lapse if not exercised by the 4 year anniversary of the date of the Second Warrant Deed (being 27 March 2024).

On 25 October 2023, PURE exercised 7,471,261 First Tranche Warrants, leaving 14,942,533 First Tranche Warrants remaining. In addition, PURE agreed to amend the floor exercise price of the First Tranche Warrants to A\$0.053, as outlined in the anti-dilution formula above.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 15 Contributed equity

	2025	2024	2025	2024
	Shares	Shares	\$	\$
Ordinary shares on issue	430,800,926	304,913,073	41,903,963	41,098,136
Share issue transaction costs	-	-	(1,425,299)	(1,425,299)
	<b>430,800,926</b>	<b>304,913,073</b>	<b>40,478,664</b>	<b>39,672,837</b>

#### (a) Ordinary shares

	Shares	\$
Opening balance 1 January 2025	304,913,073	39,672,837
<b>Movements during the year:</b>		
Shares issued	125,887,853	805,827
<b>Closing balance 31 December 2025</b>	<b>430,800,926</b>	<b>40,478,664</b>

A Strategic Placement and Rights Issue was completed in 2025 as per prior ASX announcements.

### 16 Reserves

#### (a) Share based payment reserve

	2025	2024
	\$	\$
Employee share scheme	5,109,227	5,096,497
<b>Movements:</b>		
<i>Employee share scheme</i>		
Opening balance	5,096,497	4,707,979
Employee share scheme	12,730	388,518
	<b>5,109,227</b>	<b>5,096,497</b>

During the financial year, \$12,730 of share-based payments were expensed in relation to performance rights and options granted to employees and directors.

#### (b) Foreign currency translation reserve

	2025	2024
	\$	\$
Opening balance	(1,616,615)	(1,316,670)
Other comprehensive income	719,075	(299,945)
<b>Total</b>	<b>(897,540)</b>	<b>(1,616,615)</b>

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 17 Key management personnel remuneration

Key management personnel remuneration included within Employee benefits expense for the year is shown below:

	2025	2024
	\$	\$
Short-term employee benefits	606,895	1,199,447
Post-employment benefits	13,032	22,152
Share-based payments	-	241,459
	<u>619,927</u>	<u>1,463,058</u>

Detailed remuneration disclosures are provided in the remuneration report from page 4.

### 18 Interests in subsidiaries

#### Composition of the Group

	Principal place of business / Country of incorporation	Percentage Owned (%)* 2025	Percentage Owned (%)* 2024
<b>Subsidiaries:</b>			
Hydration Pharmaceuticals Trust	Australia	100	100
Hydration Pharmaceuticals Canada Inc.	Canada	100	100
Hydralyte LLC	United States	100	100
Hydration Pharmaceutical Services Pty Ltd (Dormant)	Australia	100	100
Hydration Therapeutics UK Limited (Dormant)	United Kingdom	100	100

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

### 19 Related parties

#### (a) Parent entity

The Hydration Pharmaceuticals Company Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 18.

#### (c) Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to note 17.

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 19 Related parties (continued)

#### (d) Transactions with other related parties

No transaction has occurred with other related parties for the current or prior financial year.

### 20 Contingencies and commitments

In the opinion of the Directors, the Group did not have any contingencies or commitments as at 31 December 2025 (31 December 2024: nil).

### 21 Segment information

The Group has one reportable operating segment, being Hydralyte Group. The Group's reportable segments are determined based on (1) financial information reviewed by the chief operating decision maker ("CODM"), being the Chief Executive Officer ("CEO"), (2) internal management and related reporting structure, and (3) basis upon which the CEO makes resource allocation decisions. While the Group operates in different geographies (US, Canada and Australia), the business offered by the Group in each geography is fundamentally the same. The CEO evaluates revenue by geography as an important measure of operating performance and growth. However, the costs of the Group are assessed by the CEO on a consolidated basis as many costs are centralised or cross geographical boundaries. The primary measure of profitability used by the CEO is operating profit or loss on a consolidated basis.

Operations in Canada have been discontinued (refer to note 8), and the operating results can be found therein. The remaining business continues to operate as a single segment.

### 22 Cash flow information

Reconciliation of result for the year to net cash inflow/(outflow) from operating activities

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) for the year	<b>(2,860,896)</b>	2,667,533
- Other income	-	(9,443,885)
Non-cash items in profit/(loss):		
- Foreign exchange (gain)/loss	-	(400,855)
- Non-cash employee benefits expense	<b>12,730</b>	798,577
- Provision for obsolete inventory	-	293,290
- Non cash A/R provisions	<b>11,497</b>	-
- Non-cash issuance of shares	-	344,240
- Non-cash prepayment movements	<b>430,837</b>	-
- Non-cash accrued interest	-	1,763,666
- Non-cash inventory movements	-	1,244,202
- Fair value movement on derivative financial instruments	<b>(387,876)</b>	113,242
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	<b>261,134</b>	1,395,882
- Increase/(decrease) in trade and other payables	<b>(1,100,239)</b>	(1,417,201)
- (Increase)/decrease in inventories	<b>221,718</b>	(388,878)
- (Increase)/decrease in other assets	<b>(219,825)</b>	245,422
- (Increase)/decrease in provisions	<b>(22,850)</b>	(2,094)
- (Increase)/decrease in borrowings	-	(1,092,228)
Net cash inflow/(outflow) from operating activities	<b>(3,653,770)</b>	(3,879,087)

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 23 Remuneration of auditors

	2025	2024
	\$	\$
Audit and review of financial reports		
- Group (RSM Australia)	73,500	80,000
- Group (PwC)	-	41,165
Total audit and review of financial reports	73,500	121,165
Other services		
- Tax compliance services (PwC)	-	22,000
Total other non-audit services	-	22,000
<b>Total services provided</b>	<b>73,500</b>	<b>143,165</b>

### 24 Events occurring after the reporting date

Subsequent to the end of the financial year.

In February 2026, the Company made further cuts outsourcing its marketing and content team enabling it to reduce headcount by another 2 FTEs.

In addition, the Board accepted the resignation of Board member Margaret Hardin.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 25 Parent entity

The following information for the parent entity, The Hydration Pharmaceuticals Company Limited, has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except as disclosed in note 2(t).

	2025	2024
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	817,615	1,689,573
Non-current assets	-	7,868,183
Total assets	817,615	9,557,756
Liabilities		
Current liabilities	309,160	779,318
Non-current liabilities	508,479	464,547
Total liabilities	817,639	1,243,865

# The Hydration Pharmaceuticals Company Limited

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 25 Parent entity (continued)

	2025	2024
	\$	\$
Equity		
Contributed equity	39,943,483	39,137,657
Accumulated losses	(45,850,169)	(34,772,621)
Other reserves	5,906,662	3,948,855
Total equity	<u>(24)</u>	<u>8,313,891</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit/(loss) for the year	<u>(11,077,548)</u>	<u>5,709,989</u>
<b>Total comprehensive income/(loss)</b>	<u>(11,077,548)</u>	<u>5,709,989</u>

### Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2025 or 31 December 2024.

### Contractual commitments

The parent entity did not have any commitments as at 31 December 2025 or 31 December 2024.

### 26 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### (i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

	31 December 2025					31 December 2024				
	CAD	AUD	CHF	USD	Total	CAD	AUD	CHF	USD	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
Cash and cash equivalents	20,127	317,207	-	781,247	1,118,581	842,434	46,349	-	2,265,827	3,154,610
Trade and other receivables	-	-	-	80,057	80,057	224,116	(169)	-	128,741	352,688
Other assets	-	95,944	-	24,543	120,487	3,476	46,247	-	281,776	331,499
<b>Liabilities</b>										
Trade and other payables	-	99,277	-	464,879	564,156	702,095	229,313	-	712,716	1,644,394
Derivative financial instruments	-	210,079	-	-	210,079	-	568,609	-	-	568,609

**Notes to the Consolidated Financial Statements**  
**For the Year Ended 31 December 2025**

**26 Financial risk management (continued)**

**Market risk (continued)**

*(ii) Foreign currency sensitivity*

The following table illustrates the impact of a 10% strengthening of the United States Dollar against the Australian Dollar, Canadian Dollar and Swiss Franc on the loss before income tax of the Group based on the foreign currency denominated financial assets and liabilities.

A weakening of the United States Dollar exchange rates has an equal and opposite effect on the Group's loss before income tax, all other variables held constant.

	31 December 2025	31 December 2024
	\$	\$
Australian Dollar	(10,380)	70,549
Canadian Dollar	(2,013)	(19,297)
Swiss Franc	-	-

The Group does not apply hedge accounting to these transactions. The implications of this decision are that unrealised foreign exchange gains and losses are recognised in profit or loss in the period in which they occur.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-USD currencies and expected cash reserves in that currency.

*(iii) Interest rate risk*

The Group is not exposed to any material interest rate risk.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Trade receivables*

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

**Notes to the Consolidated Financial Statements**  
**For the Year Ended 31 December 2025**

**26 Financial risk management (continued)**

**Credit risk (continued)**

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of previous sales and the corresponding historical credit losses experienced.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due.

The Group prepares detailed operating budgets forecasting operational cash requirements. Management monitors cash balances and operating budgets to ensure sufficient cash is on hand to meet operational requirements and service its working capital.

*Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<b>Carrying Amount</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>5 years +</b>	<b>Total</b>
<b>31 December 2025 US\$</b>						
Trade and other payables	564,155	564,155	-	-	-	<b>564,155</b>
Borrowings	-	-	-	-	-	-
Derivative financial instruments	210,080	-	-	210,080	-	<b>210,080</b>
<b>31 December 2024 US\$</b>						
Trade and other payables	1,664,394	1,664,394	-	-	-	<b>1,664,394</b>
Derivative financial instruments	568,609	-	-	568,609	-	<b>568,609</b>

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 27 Share-based payments

No options or share based payments were issued in 2025.

#### Options outstanding

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise price AUD\$	Share options 31 December 2025	Share options 31 December 2024
31 Aug 19	31 Aug 24 - 31 Aug 28	0.20 - 0.29	-	-
1 Jan 19	10 Jan 29 - 30 Apr 29	0.4482	7,474	1,314,446
14 Jan 19	13 Jan 29	0.4482	2,594,951	2,594,951
3 Dec 21	15 Jan 29	0.4482	74,739	74,739
3 Dec 21	16 Jan 29	0.4482	134,531	134,531
3 Dec 21	17 Jan 29	0.4482	19,432	19,432
3 Dec 21	21 Jan 29	0.4482	178,767	178,767
3 Dec 21	22 Jan 29	0.4482	35,874	35,874
3 Dec 21	23 Jan 29	0.4482	351,275	351,275
3 Dec 21	24 Jan 29	0.4482	258,240	258,240
3 Dec 21	30 Jan 29	0.4482	179,375	179,375
3 May 19	2 May 29	0.45	713,497	713,497
14 Sep 18	14 Sep 28	1.34	956,664	956,664
19 Oct 21	1 Dec 26	0.29 - 0.73	492,733	950,600
19 Oct 21	1 Dec 24	0.51 - 0.65	-	-
3 Dec 21	1 Dec 26	0.29 - 0.73	2,000,000	2,000,000
27 May 22	22 Jul 27	0.476	107,142	232,142
1 Aug 23	29 Aug 28	0.0432	14,737,976	14,737,976
29 Sep 23	31 Dec 25	0.07	-	46,612,138
1 Mar 24	1 Mar 29	0.0087	16,627,220	21,737,553
			<u>39,469,890</u>	<u>93,082,200</u>

#### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2025 \$	2024 \$
Expenses related to options	12,730	59,236
Expenses related to performance rights	-	84,296
<b>Total</b>	<u>12,730</u>	<u>143,532</u>

# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2025

### 28 Earnings per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

#### Earnings per share for profit from continuing operations

	2025	2024
	\$	\$
Basic and diluted earnings/(loss) per share (In cents)	(0.71)	(1.95)
Profit/(loss) for the year used in the calculation	(2,751,279)	(5,674,274)
Weighted average number of ordinary shares	387,201,092	290,678,001

#### Earnings per share for profit from discontinued operations

Basic earnings/(loss) per share (In cents)	(0.03)	2.87
Diluted earnings/(loss) per share (In cents)	(0.03)	2.24
Profit/(loss) for the year used in the calculation	(109,617)	8,341,807
Basic weighted average number of ordinary shares	387,201,092	290,678,001
Diluted weighted average number of ordinary shares	387,201,092	372,777,068

#### Earnings per share for profit for the year

Basic earnings/(loss) per share (In cents)	(0.74)	0.92
Diluted earnings/(loss) per share (In cents)	(0.74)	0.72
Profit/(loss) for the year used in the calculation	(2,860,896)	2,667,533
Basic weighted average number of ordinary shares	387,201,092	290,678,001
Diluted weighted average number of ordinary shares	387,201,092	372,777,068

Options over ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 December 2025. These options could potentially dilute basic earnings per share in the future.

**Consolidated Entity Disclosure Statement**  
**For the Year Ended 31 December 2025**

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the Corporations Act 2001 (s.295(3A)(a)).

Entity Name	Entity type	Place informed/country of incorporation	Ownership interest %	Tax residency
Hydration Pharmaceuticals Trust	Body corporate	Australia	100.00%	Australia
Hydration Pharmaceutical Canada Inc.	Body corporate	Canada	100.00%	Canada
Hydralyte LLC	Body Corporate	United States	100.00%	United States
Hydration Pharmaceuticals Services Pty Ltd	Body Corporate	Australia	100.00%	Australia
Hydration Therapeutics UK Limited	Body corporate	United Kingdom	100.00%	United Kingdom

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# The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

## Directors' Declaration

In the directors' opinion:

- a. the financial statements and notes, set out on pages 14 to 42 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2025 and of its performance for the financial year ended on that date,
  - (iii) confirming that the attached consolidated entity disclosure statement, and the information disclosed therein, are true and correct, and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



Adem Karafili

Melbourne

Dated this 27th day of February 2026

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## INDEPENDENT AUDITOR'S REPORT

To the Members of The Hydration Pharmaceuticals Company Limited

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of The Hydration Pharmaceuticals Company Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- i. giving a true and fair view of the Group's financial position as at 31 December 2025 and of its financial performance for the year then ended; and
- ii. 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 Group 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 report, which indicates that the Group incurred a net loss of \$2,892,520 and reported net operating cash outflows of \$3,358,218 during the year ended 31 December 2025. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group'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 this matter
<p><b>Revenue recognition</b></p> <p>Refer to Note 4 in the financial statements</p>	
<p>The Group's revenue for the year ended 31 December 2025 was \$2.5 million.</p> <p>Whilst revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance.</p>	<p>Our audit procedures in relation to the recognition of revenue included:</p> <ul style="list-style-type: none"> <li>• Assessing whether the Group's revenue recognition policies were in compliance with AASB 15 Revenue from Contracts with Customers;</li> <li>• Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the correct period; and</li> <li>• Conducting a combination of substantive analytical procedures and tests of details in respect of revenue transactions for the year.</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2025, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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:

- a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group 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: [https://www.auasb.gov.au/media/bwvjcgre/ar1\\_2024.pdf](https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.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 4 to 11 of the directors' report for the year ended 31 December 2025.

In our opinion, the Remuneration Report of The Hydration Pharmaceuticals Company Limited, for the year ended 31 December 2025, 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.



**RSM AUSTRALIA PARTNERS**



**B Y CHAN**  
Partner

Date: 27 February 2026  
Melbourne, Victoria