

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 2024
Previous Reporting Period:	Financial year ended 31 December 2023

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 2024 (FY2024).

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 2024:

Revenue	Down	25.5%	to	\$3,204,940
Loss after tax attributable to members	Down	132.9%	to	\$2,667,533
Net loss for the period attributable to members	Down	132.9%	to	\$2,667,533
Net cash used in operating activities	Down	47.3%	to	\$3,019,549

Highlights

- US revenue in decline predominately due to Rite Aid bankruptcy process, and exiting lowest profitability regions, SKUs and retailers.
- 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.

Variation to Facility Agreement with PURE Asset Management

On the 27th March 2024, the Group executed a variation the Facility Agreement in place with PURE Asset Management, as indicated in last year's 31 December 2023 Directors' Report (See ASX announcement 27 March 2024). The variation provided A\$1.7m in new funding subject to the requirement of a waiver of ASX Listing Rule 10.1 in order to amend the Original PURE Facility. The variation also included the potential for two additional tranches valued at A\$1.5m each, accessible at the discretion of PURE Asset Management. In conjunction with this variation, a 'Second Warrant Deed' was entered into between the Group and PURE Asset Management, issuing 85,000,000 warrants in connection with the Third Loan "Third Tranche Warrants" as detailed in the ASX announcement 27 March 2024. The new funding was used to seek to implement a sale of the Company or the Company's business for the benefit of stakeholders.

Divesture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries

On the 2nd October 2024, the Group announced the completion of the divesture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries. The Group retained full ownership of its US-based operations. The Group agreed to a Transition Services Agreement to provide services to Prestige Consumer Healthcare Inc for a period of 180 days which may be extended by an additional up to 180 days. The transition services include accounting, receivables and collections, procurement and accounts payable, inventory and logistics services, IT services and

product sales and marketing. The Group will be paid a fixed amount totalling US\$60,000 per month, which covers a material amount of the Group's corporate overheads during the term.

Following this divestiture of non-US assets, the Group's focus is on driving growth and unlocking value from its US-based assets and operations.

Repayment of existing Pure Asset Management Debt Facility

With the funds from the divestiture, the Group repaid its existing A\$8.2m debt facility owed to Pure Asset Management with the remaining cash at bank to be used towards closing and restructure costs and advancing operations in the US market. The Company is focused on achieving scale and cashflow breakeven in the US, targeting profitability in the future.

Outlook

Emerging benefits for US operations from strategic focus on high-margin SKUs and streamlined approach to continuing operations - further cost reductions post-transaction to flow through in current period.

Company now well positioned to leverage its intellectual property in the US market across manufacturing, logistics and distribution to drive growth through established ecommerce channels, supported by a strong balance sheet.

Post balance-date, preliminary sales figures for US ecommerce sales in January 2025 US ecommerce showed double digit growth against the prior year comparative period (PCP).

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 2024	31 December 2023
Net Tangible Assets/(Liabilities)	\$2,742,091	(\$358,255)
Shares (No.)	304,913,073	265,141,804
Net Tangible Assets per Share (cents)	0.01	0.00

Earnings / (Loss) per Share

	31 December 2024	31 December 2023
Basic earnings/(loss) per share in cents	0.92	(4.15)
Diluted earnings/(loss) per share in cents	0.72	(4.15)

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 are in the process of being audited and it is expected that an unqualified opinion will be issued.

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Consolidated Financial Statements

For the Year Ended 31 December 2024

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 2024

	2024	2023
Note	\$	\$
Revenue	2 3,204,940	4,300,856
Cost of sales	(1,584,057)	(2,400,887)
Gross profit	1,620,883	1,899,969
Sales and marketing expenses	(2,768,867)	(4,442,770)
Administrative expenses	(1,322,399)	(1,842,716)
Employee benefits expense	(1,726,505)	(2,479,617)
Fair value movement on derivative financial instruments	(113,242)	285,933
Foreign exchange gain/(loss)	399,522	(6,235)
Finance costs	(1,763,666)	(642,900)
Profit/(loss) before income tax	(5,674,274)	(7,228,336)
Income tax expense	-	-
Profit/(loss) from continuing operations	(5,674,274)	(7,228,336)
Profit/(loss) from discontinued operations	3 8,341,807	(874,042)
Profit/(loss) for the year	2,667,533	(8,102,378)
Other comprehensive income/(loss), net of tax		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign controlled entities		
- from continuing operations	(350,871)	92,183
- from discontinued operations	650,816	(166,329)
Other comprehensive income/(loss) for the year, net of tax	299,945	(74,146)
Total comprehensive income/(loss) for the year	2,967,478	(8,176,524)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:		
Basic and diluted earnings/(loss) per share	(0.02)	(0.04)
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:		
Basic and diluted earnings/(loss) per share	0.03	-
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:		
Basic and diluted earnings/(loss) per share	0.01	(0.04)

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

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Consolidated Statement of Financial Position As at 31 December 2024

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,216,510	1,840,274
Trade and other receivables	5	352,688	1,748,571
Inventories	6	1,095,654	2,392,082
Other assets	7	331,499	710,492
TOTAL CURRENT ASSETS		<u>4,996,351</u>	<u>6,691,419</u>
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		<u>4,996,351</u>	<u>6,691,419</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	1,664,394	3,064,336
Derivative financial instruments	9	568,609	69,232
TOTAL CURRENT LIABILITIES		<u>2,233,003</u>	<u>3,133,568</u>
NON-CURRENT LIABILITIES			
Provisions		21,257	23,352
Borrowings	9	-	3,892,754
TOTAL NON-CURRENT LIABILITIES		<u>21,257</u>	<u>3,916,106</u>
TOTAL LIABILITIES		<u>2,254,260</u>	<u>7,049,674</u>
NET ASSETS		<u>2,742,091</u>	<u>(358,255)</u>
EQUITY			
Contributed equity		39,672,837	39,328,597
Reserves		3,479,882	3,391,309
Accumulated losses		(40,410,628)	(43,078,161)
TOTAL EQUITY		<u>2,742,091</u>	<u>(358,255)</u>

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

The Hydration Pharmaceuticals Company Limited

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Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2024

2024

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2023	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	-	-	(299,945)	-	(299,945)
Total comprehensive loss for the year	-	2,667,533	(299,945)	-	2,367,588
Transactions with owners in their capacity as owners					
Issue of shares	344,240	-	-	-	344,240
Employee share scheme	-	-	-	388,518	388,518
Balance at 31 December 2024	39,672,837	(40,410,628)	(1,616,615)	5,096,497	2,742,091

2023

Balance at 1 January 2023	36,613,006	(34,975,783)	(1,242,524)	3,586,474	3,981,173
Loss for the year	-	(8,102,378)	-	-	(8,102,378)
Other comprehensive income	-	-	(74,146)	-	(74,146)
Total comprehensive loss for the year	-	(8,102,378)	(74,146)	-	(8,176,524)
Transactions with owners in their capacity as owners					
Issue of shares	2,956,954	-	-	-	2,956,954
Share issue transaction costs	(241,363)	-	-	-	(241,363)
Employee share scheme	-	-	-	1,121,505	1,121,505
Balance at 31 December 2023	39,328,597	(43,078,161)	(1,316,670)	4,707,979	(358,255)

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

The Hydration Pharmaceuticals Company Limited

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Consolidated Statement of Cash Flows For the Year Ended 31 December 2024

	2024	2023
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	9,330,567	9,599,011
Payments to suppliers and employees (inclusive of GST)	(11,217,892)	(14,800,920)
Interest paid	(1,132,224)	(527,796)
Net cash inflow/(outflow) from operating activities	<u>(3,019,549)</u>	<u>(5,729,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of assets	9,443,885	-
Net cash inflow/(outflow) from investing activities	<u>9,443,885</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity securities	-	2,703,779
Proceeds from borrowings	1,109,673	253,175
Transaction costs from issuance of equity securities	(23,969)	(241,363)
Repayment of borrowings	(4,713,898)	-
Net cash inflow/(outflow) from financing activities	<u>(3,628,194)</u>	<u>2,715,591</u>
Net increase/(decrease) in cash and cash equivalents	2,796,142	(3,014,114)
Cash and cash equivalents at beginning of financial year	1,840,274	4,688,191
Effects of exchange rate changes on cash and cash equivalents	(1,419,906)	166,197
Cash and cash equivalents at end of financial year	4 <u>3,216,510</u>	<u>1,840,274</u>

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 2024

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.

1 Basis of preparation

Presentation Currency

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.

2 Revenue

	2024	2023
	\$	\$
Revenue from contracts with customers	<u>3,204,940</u>	<u>4,300,856</u>

The Group derives its revenue from the transfer of goods at a point in time in the US region.

US revenue in decline predominately due to Rite Aid bankruptcy process, and exiting lowest profitability regions, SKUs and retailers.

3 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.

Financial Performance Information

	2024	2023
	\$	\$
Revenue	5,521,566	5,740,328
Cost of sales	<u>(2,225,974)</u>	<u>(2,248,591)</u>
Gross profit	3,295,592	3,491,737
Other income	606	-
Sales and marketing expenses	(1,818,514)	(2,404,170)
Administrative expenses	(539,832)	(710,967)
Salaries and wages	(797,061)	(1,253,345)
Forex gain/(loss)	1,333	2,703
Profit/(loss)	142,124	(874,042)
Income tax expense	-	-
Profit/(loss) after tax	142,124	(874,042)
Gain/(loss) on disposal before tax	8,199,683	-
Income tax expense	-	-
Gain/(loss) on disposal after tax	8,199,683	-
Profit/(loss) after tax from discontinued operations	8,341,807	(874,042)

The Hydration Pharmaceuticals Company Limited

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Notes to the Consolidated Financial Statements For the Year Ended 31 December 2024

3 Discontinued Operations (continued)

Details of disposal

	2024	2023
	\$	\$
Total sale consideration	9,443,885	-
Carrying value of net assets disposed	(1,244,202)	-
Derecognition of foreign currency reserve	-	-
Disposal costs	-	-
Gain on disposal before tax	8,199,683	-
Income tax expense	-	-
Gain on disposal after tax	8,199,683	-

Cash flow information

	2024	2023
	\$	\$
Net cash from/(used in) operating activities	(1,140,475)	(439,634)
Net cash from/(used in) investing activities	9,443,885	-
Net increase in cash and cash equivalents from discontinued operations	8,303,410	(439,634)

Carrying amounts of assets and liabilities disposed

	2024	2023
	\$	\$
Inventories	1,244,202	-
Total assets	1,244,202	-
Net assets	1,244,202	-

4 Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and in hand	3,216,510	1,840,274
	3,216,510	1,840,274

The Hydration Pharmaceuticals Company Limited

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Notes to the Consolidated Financial Statements For the Year Ended 31 December 2024

5 Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	357,329	1,783,986
Provision for doubtful accounts	(14,860)	(38,987)
Other receivables	10,219	3,572
	<u>352,688</u>	<u>1,748,571</u>

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 \$14,860 as at 31 December 2024.

6 Inventories

	2024	2023
	\$	\$
Raw materials and consumables	121,833	372,016
Finished goods	1,083,724	2,340,357
Goods in transit	259,441	-
Writedowns	(369,344)	(320,291)
	<u>1,095,654</u>	<u>2,392,082</u>

7 Other assets

	2024	2023
	\$	\$
Prepayments	331,499	710,492

8 Trade and other payables

	2024	2023
	\$	\$
Trade payables	277,066	1,059,467
Returns and other liabilities	211,877	359,690
Accrued expenses	1,175,451	1,645,179
	<u>1,664,394</u>	<u>3,064,336</u>

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

9 Borrowings and derivative financial instruments

In connection with the Amended PURE Facility, a 'Second Warrant Deed' was entered into between the Company and Pure as announced on 27 March 2024 which set out that, subject to shareholder approval, the Company will issue 85,000,000 warrants in connection with the Third Loan (Third Tranche Warrants). Shareholders approved the issue of the Third Tranche Warrants to Pure Asset Management Pty Ltd as trustee for The Income and Growth Fund (or nominee(s)) at the Company's annual general meeting held on 24 May 2024.