9255 Towne Center Drive, Suite 930
San Diego, CA 92121

Company Announcement
ASX: HPC

DATE: 31/08/2023

All amounts in $US and unaudited unless otherwise specified.

1H FY23 Half Year Report and Appendix 4D: Hydralyte North America Achieves Record Revenue and Gross Profit

1. Company details

Name of entity:	The Hydration Pharmaceuticals Company Limited
ABN:	83 620 385 677
Reporting period:	For the half-year ended 30 June 2023
Previous period:	For the half-year ended 30 June 2022

2. Results for announcement to the market

				$m's
Revenues from ordinary activities	up	28.4%	to	5.3m
Loss from ordinary activities after tax attributable to the owners of The Hydration Pharmaceuticals Company Limited	down	17%	to	(3.5m)
EBITDA[1] Loss	down	4%	to	(3.6m)
Loss for the half-year attributable to the owners of The Hydration Pharmaceuticals Company Limited	down	17%	to	(3.5m)

Loss per share
Basic and diluted 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:

	1H FY2023 $	1H FY2022 $
Basic and diluted earnings/(loss) per share	(.02)	(.03)
Loss for the year used in the calculation	3,531,115	4,239,206
Weighted average number of ordinary shares	163,820,596	161,602,817

Dividends
There were no dividends paid, recommended, or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $US3.5m (30 June 2022: $US4.2m).

[1] EBITDA excludes SBP and FX gain(loss). 0.1M EBITDA loss decrease attributed to 0.3M in Gross Profit dollar increase, 0.2M decrease to marketing expense, partially offset by 0.4M increase to administrative expenses

Refer to the 'Review of operations' section of the Directors' report for further commentary on the

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results of the consolidated entity.

3. Net tangible assets

	30 Jun 2023 $	30 Jun 2022 $
Net assets	432,753	9,573,593
Less: Intangibles	0	0
Net tangible assets	432,753	9,573,593
	Number	**Number**
Total shares issued	164,318,128	163,755,295
	Reporting Period Cents	**Reporting Period Cents**
Net tangible assets per ordinary security	0	6

4. Loss of control over entities

Not applicable

5. Dividends

Current Period
There were no dividends paid, recommended, or declared during the current financial period.

Previous Period
There were no dividends paid, recommended, or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable

8. Foreign entity

Details of origin of accounting standards used in compiling the report:
The foreign entities are presented in compliance with Australian Accounting Standards

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim report. The review report includes an emphasis of matter related to going concern.

10. Attachments

Details of attachments (if any):
The Interim report of The Hydration Pharmaceuticals Company Limited for the half-year ended 30 June 2023 is attached.

11. Signed

Signed ______________________ Date: 31 August 2023

George Livery
Chairman
Melbourne

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Consolidated Interim Financial Report

30 June 2023

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Contents

For the Half Year Ended 30 June 2023

Directors' Report
30 June 2023

The directors present their report, together with the consolidated interim financial statements of the Group, being the Company and its controlled entities, for the half-year ended 30 June 2023.

Directors

The names of each person who has been a director during the half-year and up to the date of this report are:
Adem Karafili
George Livery
Gretta van Riel
Margaret Hardin

Principal activities

The principal activities of the Group during the financial period were wholesale suppliers and online retailers of Hydralyte products in North America. The Group owns distribution rights to Hydralyte for the world outside of Australia, New Zealand, Asia (excluding China, which includes Hong Kong but excludes Taiwan), Africa and the Middle East (excluding Turkey). The Group, however, is largely focused on the US and Canada.

No significant change in the nature of these activities occurred during the period.

Operating results

The consolidated loss of the Group amounted to $3,531,115 (2022: consolidated loss of $4,239,206).

Review of operations

The strong overall growth in the Company led to an increase of 28% in net revenue (1H 2022: $4.1m vs 1H 2023: $5.3m). The Company expects continued strong revenue growth year-on-year. Gross margin as a percentage of net sales decreased by 5.72ppt in 1H 2023 from the prior corresponding period (PCP). In the transition to co-prioritise revenue and net cashflow, the Company has modified its product profile to eliminate the lowest performing products. HPC is selling these low performing products off through discount channels to generate sales from the Company's strongest selling inventory, and was therefore left with temporarily repressed margin from this clean-up process. Although the percentage margin decreased from the PCP, the total margin dollars increased by 15% with the increase in net revenues (gross margin 1H 2022: 54% vs 1H 2023: 49%).

The financial position and performance of the Group was affected by the following key events and transactions during the half-year ended 30 June 2023:

- 28% ($1.2m) growth in total net revenue from the prior corresponding period (PCP) to $5.3m (1H 2022: $4.1m) driven by a significant increase in both e-commerce and traditional channels

- 22% ($0.4m) increase in e-Commerce net revenue to $2.2m (1H 2022: $1.8m)

- 33% ($0.8m) increase in traditional retail net revenue to $3.1m (1H 2022: $2.3m)

- Gross margin decreased by 5.72ppt to 49% (1H 2022: 54%)

Strong growth in revenue is attributed to focused marketing spend and continued new product development. With many of the key marketing investments completed during FY22, the Company has increased focus on reducing operating expenditure to extend cash life through significant reduction in marketing spend, while leveraging its market footprint to maintain record revenue growth. Margin decrease is attributed to the temporary depressed margins mentioned above.

Directors' Report

30 June 2023

Review of operations (continued)

Other significant events include the company beginning production of the powder sticks at its new Canadian-based contract manufacturer for the Canadian market. In addition to the powder sticks, the company began manufacturing liquids at its US-based contract manufacturer for the Canadian market.

Sales and marketing spend for the half was US$3.7m, down from US$5.3m in 2H 2022, while sales and marketing as a percentage of net sales decreased from 107% in 2H FY22 to 70% in 1H 2023. Digital Advertising spend was reduced to US$1.0m down from US$1.7m in 2H 2022. Influencer related spend was reduced to US$0.6m down from US$0.9m.

EBITDA loss decreased on the last half by US$1.6m to US$3.6m (2H 2022: loss US$5.2m). The EBITDA increase was driven by a US$0.1m increase to Gross Profit dollars, and a US$1.6m decrease to Sales and Marketing related expenses. These improvements were partially offset by a US$0.1m increase to administrative expenses.

Events after the reporting date

Hydralyte announced a Placement and Entitlement Offer to raise up to ~A$4.8m

Hydralyte North America announced that it will undertake a share placement to raise A$1.5 million (before costs) and a non renounceable partially underwritten Entitlement Offer to raise up to an additional A$3.3m at an offer price of A$0.045 per share. Participants in the Placement and Entitlement Offer will be offered one attaching option for every two new Shares issued. Each option will be exercisable at A$0.07, on or before 31 December 2025.

Except for the above, no other matters or circumstances have arisen since the end of the financial half 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the half year ended 30 June 2023 is set out on page 3.

ASIC corporations instrument 2016/191 rounding of amounts

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

This report is signed in accordance with a resolution of the Board of Directors.

....
George Livery
Executive Chairman

Melbourne

Dated this ....31.............. day of ....August........... 2023 pwc

Auditor's Independence Declaration

As lead auditor for the review of The Hydration Pharmaceuticals Company Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of The Hydration Pharmaceuticals Company Limited and the entities it controlled during the period.

Graeme McKenna
Partner
PricewaterhouseCoopers

Melbourne
31 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 30 June 2023

	Note	30 June 2023 $	30 June 2022 $
Revenue	8	**5,304,665**	4,132,245
Cost of sales		**(2,724,085)**	(1,885,778)
Gross profit		**2,580,580**	2,246,467
Other income		**-**	1
Sales and marketing expenses		**(3,728,536)**	(3,910,231)
Administrative expenses		**(1,110,889)**	(708,764)
Employee benefits expense		**(1,733,870)**	(2,508,596)
Foreign exchange gain/(loss)		**555,305**	662,977
Fair value movement on derivative financial instruments		**228,417**	-
Finance costs		**(322,122)**	(21,060)
Loss before income tax		**(3,531,115)**	(4,239,206)
Income tax expense		**-**	-
Loss for the half-year		**(3,531,115)**	(4,239,206)
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		**(458,004)**	(667,496)
Other comprehensive loss for the half-year, net of tax		**(458,004)**	(667,496)
Total comprehensive loss for the half-year		**(3,989,119)**	(4,906,702)

	Note	30 June 2023 $	30 June 2022 $
Loss per share			
Basic loss per share	11	(0.02)	(0.03)
Diluted loss per share	11	(0.02)	(0.03)

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 30 June 2023

	Note	30 June 2023 $	31 December 2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	**1,739,433**	4,688,191
Trade and other receivables	3	**1,782,892**	1,306,397
Inventories	4	**2,894,212**	3,386,379
Other assets	5	**997,689**	1,009,579
TOTAL CURRENT ASSETS		**7,414,226**	10,390,546
TOTAL ASSETS		**7,414,226**	10,390,546
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	**3,151,462**	2,326,070
Derivative financial instruments		**114,208**	349,470
TOTAL CURRENT LIABILITIES		**3,265,670**	2,675,540
NON-CURRENT LIABILITIES			
Provisions		**23,058**	22,052
Borrowings	12	**3,692,745**	3,711,781
TOTAL NON-CURRENT LIABILITIES		**3,715,803**	3,733,833
TOTAL LIABILITIES		**6,981,473**	6,409,373
NET ASSETS		**432,753**	3,981,173
EQUITY			
Contributed equity	7	**36,607,677**	36,613,006
Reserves		**2,331,974**	2,343,950
Accumulated losses		**(38,506,898)**	(34,975,783)
TOTAL EQUITY		**432,753**	3,981,173

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 Half Year Ended 30 June 2023

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	$	$	$	$	$
Balance at 1 January 2023	**36,613,006**	**(34,975,783)**	**(1,242,524)**	**3,586,474**	**3,981,173**
Loss for the half-year	**-**	**(3,531,115)**	**-**	**-**	**(3,531,115)**
Other comprehensive income	**-**	**-**	**(458,004)**	**-**	**(458,004)**
Transactions with owners in their capacity as owners					
Share issue transaction costs	**(5,329)**	**-**	**-**	**-**	**(5,329)**
Employee share scheme	**-**	**-**	**-**	**446,028**	**446,028**
Balance at 30 June 2023	**36,607,677**	**(38,506,898)**	**(1,700,528)**	**4,032,502**	**432,753**

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	$	$	$	$	$
Balance at 1 January 2022	36,408,321	(24,368,617)	(630,902)	1,817,549	13,226,351
Loss for the half-year	-	(4,239,206)	-	-	(4,239,206)
Other comprehensive income	-	-	(667,496)	-	(667,496)
Transactions with owners in their capacity as owners					
Issue of shares	250,000	-	-	-	250,000
Share issue transaction costs	(45,315)	-	-	-	(45,315)
Employee share scheme	-	-	-	1,058,283	1,058,283
Balance at 30 June 2022	36,613,006	(28,607,823)	(1,298,398)	2,875,832	9,582,617

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 Half Year Ended 30 June 2023

	Note	30 June 2023 $	30 June 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**4,828,170**	3,910,578
Payments to suppliers and employees (inclusive of GST)		**(7,464,710)**	(8,229,145)
Interest paid		**(270,699)**	-
Net cash inflow/(outflow) from operating activities		**(2,907,239)**	(4,318,567)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow/(outflow) from investing activities		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs from issuance of shares		**(5,329)**	-
Net cash inflow/(outflow) from financing activities		**(5,329)**	-
Net increase/(decrease) in cash and cash equivalents		**(2,912,568)**	(4,318,567)
Cash and cash equivalents at beginning of the half-year		**4,688,191**	10,672,533
Effects of exchange rate changes on cash and cash equivalents		**(36,190)**	(4,519)
Cash and cash equivalents at end of the half-year	2	**1,739,433**	6,349,447

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

Notes to the Consolidated Financial Statements

For the Half Year Ended 30 June 2023

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

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

The interim financial report was authorised for issue by the Directors on 31 August 2023.

1 Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by The Hydration Pharmaceuticals Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

The consolidated interim financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a net loss of $3,531,115 (2022: $4,239,206) and had net cash outflows from operating activities of $2,907,239 (2022: $4,318,567) for the half year ended 30 June 2023 as a result of being a rapidly growing startup company.

Subsequent to the end of the half year, the Group has successfully completed an equity placement amounting to A$1.5 million. The proceeds from the equity placement net of associated costs (A$1.4 million) were received on 11 August 2023. The Group has also announced its plans for a partially underwritten, non-renounceable entitlement offer/rights issue to raise up to approximately A$3.3 million, which is currently in progress.

The Group has a record of successfully raising cash to meet the requirements of the business and the directors are of the view that they will be able to successfully fund the business on a go forward basis.

The directors and management have considered the Group's projected cash flows and ability to continue as a going concern for at least the next 12 months from the signing date of this consolidated interim financial report. The continuing viability of the Group is dependent on successfully completing the entitlement offer/rights issue in progress, generating sufficient funds from its operating activities and securing additional funding through the continued support of its current lenders or from other sources. The Group also has continued access to the second tranche of funds in the PURE Asset Management debt agreement, with the consent of PURE Asset Management before drawing. Whilst the directors and management are expecting continued revenue growth and sustained margins, the Group is likely to need to secure additional funding within the next 12 months from the signing date of the consolidated interim financial report, either from a territory sale, a partial or full drawdown of the second tranche of debt from PURE Asset Management, an equity raise, or a capital raise from other sources. As disclosed in note 13, access to the second tranche of the loan facility with PURE Asset Management will be subject to the consent of PURE Asset Management and approval once the entitlement offer/rights issue is completed.

Notes to the Consolidated Financial Statements

For the Half Year Ended 30 June 2023

1 Basis of preparation (continued)

Going concern (continued)

Management and the directors are of the view that the Group will be successful in meeting these conditions and accordingly have prepared the consolidated interim financial report on a going concern basis. However, due to the likely dependence on the current entitlement offer and future capital raise, there is a material uncertainty which may cast significant doubt on whether the Group will be able to 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 consolidated interim financial report.

This consolidated interim financial report does not include any adjustments that may be appropriate relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2 Cash and cash equivalents

	30 June 2023 $	31 December 2022 $
Cash at bank and in hand	**1,739,433**	4,688,191
	1,739,433	4,688,191

3 Trade and other receivables

	30 June 2023 $	31 December 2022 $
Trade receivables	**1,792,216**	1,311,855
Provision for doubtful accounts	**(12,882)**	(12,882)
Other receivables	**3,558**	7,424
	1,782,892	1,306,397

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 $12,882 as at 30 June 2023.

4 Inventories

	30 June 2023 $	31 December 2022 $
Raw materials and consumables	**371,991**	329,754
Finished goods	**2,897,079**	2,694,368
Goods in transit	**110,177**	539,405
Write-downs	**(485,035)**	(177,148)
	2,894,212	3,386,379

Notes to the Consolidated Financial Statements

For the Half Year Ended 30 June 2023

5 Other assets

	30 June 2023 $	31 December 2022 $
Prepayments	**997,689**	1,009,579

6 Trade and other payables

	30 June 2023 $	31 December 2022 $
Trade payables	**1,368,455**	453,473
Accrued expenses	**1,439,104**	1,566,682
Returns and other liabilities	**343,903**	305,915
	3,151,462	2,326,070

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

7 Contributed equity

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares	**164,318,128**	163,755,295	37,796,943	37,796,943
Share issue transaction costs	**-**	-	(1,189,266)	(1,183,937)
	164,318,128	163,755,295	36,607,677	36,613,006

8 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 on a consolidated basis.

The breakdown of revenue by geography and reconciliation of operating results for each half-year is presented as follows:

	30 June 2023 $	30 June 2022 $
Revenue by geography		
United States	**2,285,519**	2,095,874
Canada	**3,019,146**	2,036,371
Total Revenue	**5,304,665**	4,132,245

8 Segment information (continued)

	30 June 2023 $	30 June 2022 $
Other income	**-**	1
Cost of sales	**(2,724,085)**	(1,885,778)
Sales and marketing expenses	**(3,728,536)**	(3,910,231)
Administrative expenses	**(1,110,889)**	(708,764)
Employee benefits expense	**(1,733,870)**	(2,508,596)
Operating losses	**(3,992,715)**	(4,881,123)
Foreign exchange gains/(losses)	**555,305**	662,977
Finance costs	**(322,122)**	(21,060)
Fair value movement on derivative financial instruments	**228,417**	-
Net loss for the half-year	**(3,531,115)**	(4,239,206)

9 Dividends

No dividends have been paid during the financial period. The directors do not recommend that a dividend be paid in respect of the financial period.

10 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (31 December 2022:Nil).

11 Loss per share

	30 June 2023 $	30 June 2022 $
Basic and diluted loss per share	**(0.02)**	(0.03)
Net loss used in the calculation of basic and diluted loss per share	**3,531,115**	4,239,206
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	**163,820,596**	161,602,817

12 Borrowings

	AUD $	USD $
Opening carrying value of borrowings	**5,478,164**	3,711,781
Amortisation of transaction costs	**102,694**	67,669
Foreign currency adjustment	**-**	(86,705)
Closing carrying value of borrowings	**5,580,858**	3,692,745

12 Borrowings (continued)

On 17 October 2022, the Company entered into a A$12m two-tranche secured loan facility (the “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 Company, 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.

The facility is a A$12,000,000 two-tranche facility comprising:

- a **First Loan** of A$6,500,000 to be utilised within 14 days after the Facility Date; and
- a **Second Loan** of A$5,500,000 to be utilised within 365 days of the Facility Date.

13 Events occurring after the reporting date

Hydralyte announced a Placement and Entitlement Offer to raise up to ~A$4.8m

Hydralyte North America announced that it will undertake a share placement to raise A$1.5 million (before costs) and a non-renounceable partially underwritten Entitlement Offer to raise up to an additional A$3.3m at an offer price of A$0.045 per share.

- **Placement**

In August 2023, the Company completed a raise of A$1.5m (before costs) through the issue of 33.33 million new fully paid ordinary shares to new and existing professional and sophisticated investors at an issue price of A$0.045 per share.

- **Entitlement Offer**

In conjunction with the Placement, the company will undertake a pro rata, non-renounceable entitlement offer of one new Share for every 2.27 existing Share held by eligible shareholders at 7:00pm (Melbourne time) on Wednesday, 9 August 2023. The Entitlement Offer will raise up to approximately A$3.3m (before costs) at the Offer Price by the issue of up to approximately 72.4m Shares (depending on the level of take-up by shareholders).

- **Options**

Participants in the Placement and Entitlement Offer will be offered one attaching option for every two new Shares issued. Each option will be exercisable at A$0.07, on or before 31 December 2025.

The issue of Options to Placement participants will be conditional on shareholder approval at an EGM to be held in mid-September 2023.

Pure Asset Management (“Pure”) Arrangements

In conjunction with the capital raising, the Company and PURE have agreed that (conditional on completion of the capital raising):

- The availability period of the second tranche of PURE debt (A$5.5 million) will be extended from 14 October 2023 to 31 December 2024; and

13 Events occurring after the reporting date (continued)

- The second tranche will only be made available if PURE consents (at its discretion) to make it available at the time that the Company seeks to draw it down.

In addition, PURE has committed to exercise approximately 7.5 million of the Warrants granted to it on completion of the capital raising at the 'adjusted price' (refer to the Notice of Annual General Meeting dated 4 April 2023 for further details) for expected total proceeds of approximately A$0.4 million. PURE has also agreed, subject to successful exercise of the Warrants and shareholder approval, that the exercise price of the remaining 14.9 million Warrants will have a 'floor price' of the adjusted price after this capital raising (in circumstances where the exercise price of the Warrants could otherwise decrease in the future in the event of a subsequent dilutive capital raising in accordance with their terms of issue).

PURE has also agreed to sub-underwrite approximately A$0.6m worth of shortfall Shares under the Entitlement Offer.

Except for the above, no other matters or circumstances have arisen since the end of the financial half 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.

Directors' Declaration

In the directors' opinion:

1. The consolidated interim financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and other mandatory professional reporting requirements, and

    (b) giving a true and fair view of the consolidated group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director ....

George Livery

Dated this ....31.... day of ....August.... 2023

Independent auditor's review report to the members of The Hydration Pharmaceuticals Company Limited

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of The Hydration Pharmaceuticals Company Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of The Hydration Pharmaceuticals Company Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 1 in the interim financial report, which indicates that the Group incurred a net loss of US$3,531,115 and had net cash outflows from operating activities of US$2,907,239 during the half-year ended 30 June 2023, and is dependent on successfully completing the entitlement offer/rights issue in progress, generating sufficient funds from its operating activities and securing additional funding through the continued support of its current lenders or from other sources. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibilities of the directors for the interim financial report

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

Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Graeme McKenna

Graeme McKenna
Partner

Melbourne
31 August 2023