

Company Announcement
ASX: HPC

DATE: 3/8/2023

Placement and Entitlement Offer to raise up to ~\$4.8m

KEY HIGHLIGHTS

- Firm commitments to raise \$1.5m at an offer price of \$0.045 per share (“Offer Price”) under an institutional placement
- Additional 1 for 2.27 pro rata, partially underwritten, non-renounceable entitlement offer to raise up to approximately \$3.3m at the Offer Price
- Entitlement offer partially underwritten by BW Equities Pty Ltd for up to approximately \$2.5 million
- New shares will be offered with one attaching option for every two new shares issued, exercisable at \$0.07 on or before 31 December 2025
- In addition, PURE Asset Management to exercise approximately \$0.4m worth of Warrants associated with the first tranche of its senior secured debt taking total new funding to up to ~\$5.2m
- Funds to be deployed towards strategic marketing and product development initiatives designed to drive revenue growth over coming quarters
- Capital raise follows recent operational success and execution of strategy to reduce expenditure while maintaining consistent top-line revenue growth

Hydration solutions company The Hydration Pharmaceuticals Company Limited (ASX: HPC) (“**Hydralyte North America**” or “the **Company**”) is pleased to announce 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 \$3.3m at an offer price of \$0.045 per share (“**Offer Price**”).

Placement

The Company has received firm commitments to raise \$1.5m (before costs) through the issue of 33.33 million new fully paid ordinary shares (“**Shares**”) to new and existing professional and sophisticated investors at an issue price of \$0.045 per share (“**Placement**”).

The new Shares will be issued utilising the Company’s available capacity under ASX Listing Rules 7.1 (16,901,521 new Shares) and 7.1A (16,431,812 new Shares).

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 Shares held by eligible shareholders at 7:00pm (Melbourne time) on Wednesday, 9 August 2023 ("**Entitlement Offer**"). The Entitlement Offer will raise up to approximately \$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).

The Entitlement Offer is open to eligible shareholders, which are HydraLyte North America shareholders as at 7.00 pm (AEST time) on Wednesday, 9 August ("**Record Date**") who have a registered address in Australia or New Zealand (or any other jurisdiction determined by the Board). The Entitlement Offer is non-renounceable which means that entitlements are not transferable and cannot be traded on the ASX (or any other exchange) or transferred privately.

Eligible Shareholders who apply for 100% of their entitlements will be entitled to apply for additional new Shares under a shortfall facility.

The Entitlement Offer will be partially underwritten by BW Equities Pty Ltd ("**BW Equities**") up to approximately \$2.5 million worth of Shares.

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 \$0.07, on or before 31 December 2025 ("**Options**").

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

The Options will not be quoted on ASX.

Offer Price

The Offer Price of \$0.045 per new Share under the Placement and Entitlement Offer represents a discount of:

- 25% to the last traded price and five-day volume weighted average price (VWAP) up to and including 28 July 2023 (of \$0.06); and
- 23.46% discount to the 15-day VWAP ending on 28 July 2023 (of \$0.0588).

Use of Funds

A total of up to approximately \$4.8 million will be raised under the capital raising (depending on the level of take-up under the Entitlement Offer). Further, approximately \$0.4 million of additional funds will be raised by the exercise of warrants by Pure Asset Management (see below). Accordingly, a total of up to \$5.2 million will be raised by the Company.

The funds raised will be deployed towards marketing across the US, Canada and the United Kingdom to further increase sales, as well as for general working capital purposes and costs associated with the capital raising.

Prospectus

A Prospectus containing information in respect of the Entitlement Offer and the Options will be lodged with ASIC and ASX on Friday, 4 August 2023.

The Prospectus and an Entitlement and Acceptance Form will be made available to Eligible Shareholders and Placement participants on Monday, 14 August 2023. Eligible Shareholders and Placement participants should read the Prospectus in full before deciding whether to subscribe for new Shares and Options.

Eligible Shareholders will be able to access a copy of the Prospectus from the Offer Website, details of which will be provided. Eligible Shareholders will need to provide their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode to access the Offer Website and participate in the Entitlement Offer. Placement participants will be contacted directly by the Company or BW Equities.

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
- 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 \$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 \$0.6m worth of shortfall Shares under the Entitlement Offer.

Capital raising timetable

The capital raising will be undertaken in accordance with the following indicative timetable. The Company may vary these dates, in consultation with BW Equities, subject to the ASX Listing Rules.

| Event | Date (2023) |
|--|---------------------|
| Announcement of capital raising Shares resume trading | Thursday, 3 August |
| Prospectus lodged with ASIC and ASX | Friday, 4 August |
| Record Date (7:00pm AEST) | Wednesday, 9 August |
| Placement Settlement Date | Thursday, 10 August |
| Placement Issue Date | Friday, 11 August |

| Event | Date (2023) |
|--|-----------------------|
| Entitlement Offer and Placement Option offer opening date | Monday, 14 August |
| Entitlement Offer and Placement Option offer Closing Date | Monday, 4 September |
| Results Announcement Date | Thursday, 7 September |
| Entitlement Offer Settlement Date | Friday, 8 September |
| Entitlement Offer Issue Date | Monday, 11 September |
| EGM | Mid-September |
| Issue of Placement Options (subject to shareholder approval) | Mid-September |

Hydralyte North America CEO Oliver Baker said: *"We are pleased to have achieved such strong interest in the capital raising and I would like to take this opportunity to thank existing shareholders for their support, as well as welcome a number of new investors to the register."*

"The funding from the Placement and the pending Entitlement Offer will provide the Company with exceptional financial flexibility to progress a number of strategic marketing opportunities and product development initiatives, which have been designed to further increase sales over the coming months."

"The capital raise follows the Company's pleasing operational success, which has seen the Board deliver on its strategy to maintain a cap on costs, while also generating consistent revenue growth. We look forward to continuing this trend and providing additional updates to shareholders."

Further information

Further information regarding the Company and the capital raising, including a description of the risks associated with an investment in the Company, are provided in an investor presentation dated 3 August 2023 and available on the ASX website (www.asx.com.au).

BW Equities Pty Ltd is acting as lead manager of the capital raising and partial underwriter of the Entitlement Offer. Becketts Lawyers is acting as Australian legal adviser to the Company.

ENDS

This announcement was authorised for release by the Chair of Hydralyte North America.

For further information:

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About The Hydration Pharmaceuticals Company Limited

The Hydration Pharmaceuticals Company Limited (HPC) is a well-known brand developed in Australia in 2001 to produce a range of electrolyte-rich tablets, liquids and powders and aims to grow its footprint in new international markets, led by an experienced management team

and high skilled Board of Directors. HydraLyte North America does not operate in Australia or New Zealand, where the brand is owned by Care Pharmaceuticals, but has exclusive rights to the HydraLyte brand in North and South America, Europe (excluding Turkey), China (excluding Taiwan) and Hong Kong. Current operations are focused on the United States and Canada, with headquarters in San Diego, California.