

Company Announcement
ASX: HPC

DATE: 30/4/2025

Q1 FY25 Quarterly Report and Appendix 4C: Growth from US operations with no debt and a robust cash balance

KEY HIGHLIGHTS

- Quarterly net sales of US\$720,177, up 16% on PCP on a normalised basis, adjusting for discontinued SKUs and remaining range following non-US asset sale
 - Net cash used in operating activities (excluding one off costs) of US\$712K – 15% reduction on PCP (Q1 2024: US\$833K), lowest in recent company history
 - Ongoing improvement in gross margin on net sales to 64% in last quarter – up from 62% in Q4 CY2024 and 61% in Q3 CY2024
 - Scheduled rollout of innovative new products expected to drive additional sales growth in coming quarters – Production agreement secured with US-based manufacturer for new SKUs in gut and brain health segments
 - Completion of strategic placement to Mr Joseph Constable and another investor to raise A\$650,000 with Mr Constable joining Board as a Non-Executive Director
 - Quarterly sales consistent with annualised net revenue rate of US\$3m-US\$3.5m; growth underpinned by balance sheet strength with no debt and cash at quarter-end of US\$2.39m
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“Hydralyte North America” or “the Company”) is pleased to provide the following update on its operational and financial performance for the three-month period ended 31 March 2025 (the “quarter”).

Operational overview:

Strong margin growth highlights positive trend in quarterly net sales

During the quarter, Hydralyte North America continued to consolidate its US-focused sales strategy following the successful divestiture of non-US assets in October 2024. The Company reported net sales for the quarter of US\$720,177, reflecting average monthly net sales of ~US\$240,000

When adjusted to establish a like-for-like comparison on the Company's remaining portfolio ex-Canada divestment and accounting for the discontinuation of stock keeping units (SKU) completed in August 2024, March quarter sales reflected a 16% increase on PCP (Q1 CY24 sales on a same SKU basis: US\$622,713).

Gross margin as a percentage of net sales increased to 64%, up from 62% in Q4 CY2024 and 61% in Q3 CY2024, reflecting the increased share of high-margin SKUs to the sales profile.

March quarter sales results position the Company to generate annualised net revenues of US\$3m-US\$3.5m, in line with previous guidance. In addition, multiple cost saving drivers are expected to underpin further improvements in operating cash flow over the course of 2025.

During the March quarter, the Company recorded several one-off cash operating costs, including staff bonuses and severance payments in connection with the finalisation of the asset sale, and a corresponding reduction in staff numbers from 11 to 4 full time employees (refer ASX Announcement 11 April 2025). Starting in the current quarter, continuing cost reductions resulting from the one-off payments in Q1 CY2025 are budgeted to deliver an annualized base saving of US\$665,000.

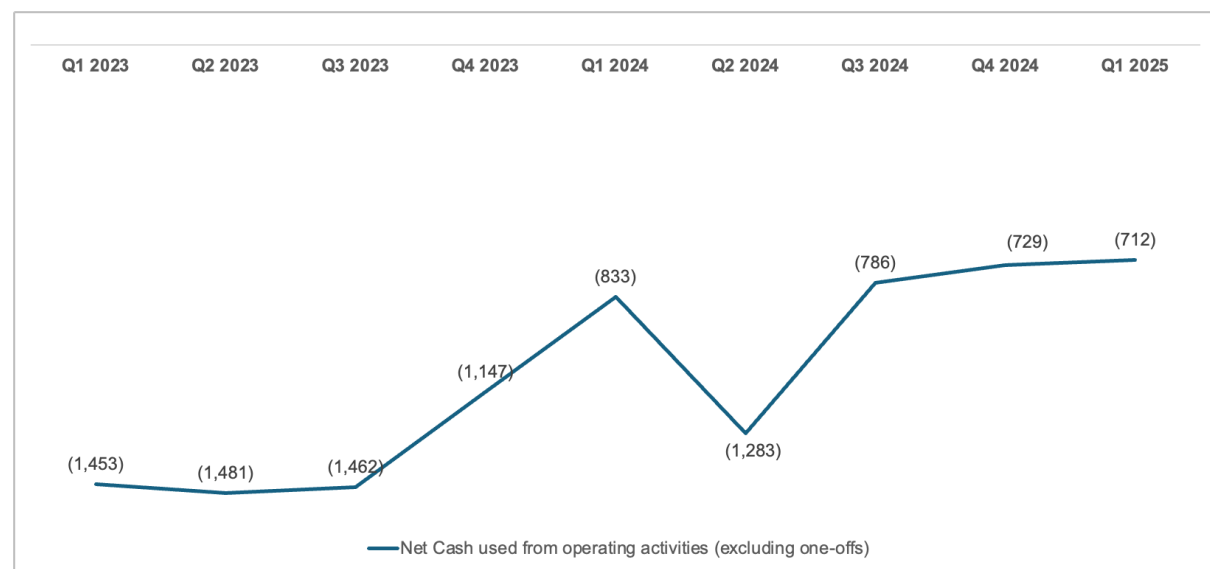
OPEX reduction and Cash Position

During the quarter, HydraLyte North America completed the final round of one-off cash operating costs in connection with the completion of its sale of non-US assets and the reduction in group workforce. This led to total cash used in net operating activities of US\$1.18m. One-off payments relating to bonuses and staff severance packages amounted to US\$468K, taking net operating cash outflows for the period on a normalised basis to US\$712K.

Cost:	Amount:
Staff bonuses related to asset sale:	US\$285K
Severance payments associated with workforce reduction, including previous CFO, Chris Kavanaugh:	US\$182K
Total:	US\$468K
Net cash used in operating activities excluding one off costs:	US\$712K

Cash and cash equivalents at the end of the quarter were US\$2.4m. With a considerably reduced cost base and trend growth in gross margins, the Company continues to focus on achieving cash-flow break-even from continuing US operations.

Net Cash Used from Operating Activities (\$US'000):



Note: Figures for the last three trading quarters exclude one-off amounts related to divestiture of non-US assets and team severance. Q3 CY2024 excludes positive cash driven by "reduction in non-cash working capital of \$US1.4m" as indicated in ASX announcement on 31/10/2024.

Strategic placement and appointment of new Director:

The Company raised A\$650,000 via the issue of 65,000,000 fully paid ordinary shares (“Shares”) priced at the Offer Price of \$0.01 per Share (“Placement”) during the period. A total of 60 million Placement Shares (for proceeds of A\$600,000) were allocated to Mr Joseph Constable (or nominee), an experienced public company executive who also joined the Board of HydraLyte USA as a Non-Executive Director shortly after completion of the Placement.

The balance of the Placement Shares (5 million Shares for proceeds of A\$50,000) were placed to another investor. In addition to the Placement, the Company also undertook a pro rata entitlement offer (“Rights Issue”), which sought to raise up to an additional ~A\$610,000 through the offer to eligible shareholders of 1 new Share for every 5 existing Shares held on the Record Date of Friday, 21 March 2025. This raised a total of A\$133,878.53. The Company reserves the right to place the shortfall shares within three months of the closing date of the Rights Issue, subject to the requirements of the ASX Listing Rules and Corporations Act.

The appointment of Mr Constable as a Non-Executive Director significantly strengthens HydraLyte USA’s Board as the Company targets a pathway to cash-flow breakeven and profitability from continuing US operations.

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

The Board is confident that alongside his strategic investment, Mr Constable’s skillset makes him well suited to assist in guiding the Company’s growth strategy for continuing US operations.

New product launches

HydraLyte North America secured a production agreement with a leading US manufacturer for the rollout of new product launches for two high-margin SKUs targeting brain and gut health, which are on schedule to be available for sale in early Q3 CY2025.

The Company’s focus on new product development follows the success of its high-margin Liver Detox SKU. Both new product launches have been brought to market based on extensive market research around consumer preferences in the Better-For-You category.

Sales of the new product launches are expected to further bolster momentum for the group’s sales profile heading into the high-demand northern summer period from June to September 2025.

Management commentary:

HydraLyte North America CEO Oliver Baker said: *“We are really pleased with how the US business is shaping up following our strategic asset sale and the work carried out in 2024 to delete poor performing SKUs and exit low margin retailers. Leveraging our existing US market footprint, the Company has a real opportunity now to accelerate sales of high-margin SKUs through established sales channels, operating from a zero-debt position with a healthy cash balance. Heading into the June quarter, management is excited by the pending rollout of our new SKUs, which have the potential to contribute materially to our growth and operating cash flow strategy.”*

ENDS

This announcement was authorized for release by the Board of HydraLyte North America.

For further information:

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Forward Looking Statements:

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

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

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

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

The Hydration Pharmaceuticals Company Limited

ABN

83 620 385 677

Quarter ended ("current quarter")

31 March 2025

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	588	588
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(377)	(377)
(c) advertising and marketing	(268)	(268)
(d) leased assets		
(e) staff costs	(350)	(350)
(f) administration and corporate costs	(305)	(305)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(468)	(468)
<i>Relates to one-off team bonuses, severance post divestiture of non-US assets</i>		
1.9 Net cash from / (used in) operating activities	(1,180)	(1,180)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities		

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	409	409
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(37)	(37)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	372	372

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,217	3,217
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,180)	(1,180)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	372	372
4.5	Effect of movement in exchange rates on cash held	(21)	(21)
4.6	Cash and cash equivalents at end of period	2,388	2,388

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,388	3,217
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,388	3,217

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,180)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,388
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	2,388
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.02
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: <div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: <div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: <div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:30 April 2025.....

Authorised by:The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.