

Company Announcement
ASX: HPC

DATE: 29/3/2022

Prominent North American actress and entrepreneur Shay Mitchell secured as partner and brand ambassador

HIGHLIGHTS

- **Shay Mitchell has over 32.5m Instagram followers, 3m Twitter followers, 4.23m YouTube subscribers and over 6.8m followers on TikTok¹**
 - **Hydralyte North America will work with Ms Mitchell to develop a custom flavour specifically designed to her specifications**
 - **Ms Mitchell is Canadian born, providing HPC with a unique relationship in one of its key operating markets**
 - **Her follower base is focused across the Company's target demographic, expected to provide considerable opportunity to tap new customers**
 - **Under the agreement, Ms Mitchell will promote the Company's products across social media channels, conduct promotional appearances and attend meetings with retailers. She will be considered a partner and investor in the Company**
 - **She will also be granted fully paid ordinary shares in the Company**
 - **Investor webinar on Wednesday, 30 March 2022 – details to register included overleaf**
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Hydration solutions company The Hydration Pharmaceuticals Company Limited (ASX: HPC) ("Hydralyte North America" or "the Company") is pleased to advise that it has entered into a binding deal memorandum ("agreement") with prominent North-American actress and entrepreneur Ms Shay Mitchell. Under the agreement, Ms Mitchell will become a brand ambassador for the Company, as well as an equity partner.

Ms Mitchell is a Canadian born actress, model and mother. She has a significant social media presence, boasting over 32.5 million Instagram followers, 3 million Twitter followers, 4.23 million YouTube subscribers and over 6.8 million followers on TikTok¹. She has approximately three times the Instagram following of some of America's most prominent athletes and almost forty times the following of some of Australia's leading online entrepreneurs. Ms Mitchell is best known for her roles in *Pretty Little Liars* and *You*, and is currently starring in *Hulu's Dollface*.

Ms Mitchell has also had considerable success as an entrepreneur, having launched BEIS Travel in 2018, a luggage and accessories company, as well as co-founded a tequila seltzer company, Onda, in 2020.

¹As at the date of this ASX announcement.

Under the agreement with Hydralyte North America, Ms Mitchell will become a brand ambassador for the Company, as well as an equity partner. She will be issued new fully paid ordinary shares equal to USD\$250,000 by no later than 5 April 2022 at a deemed issue price per share of the 10-day VWAP immediately prior to the date of the agreement, which will be subject to voluntary escrow. Ms Mitchell will also be issued a further grant of shares equal to USD\$250,000. Further details regarding the agreement with Ms Mitchell are set out in Annexure A. An Appendix 3B in relation to the proposed issue of shares will follow this announcement.

As part of her role, Ms Mitchell will help broaden the brand awareness consulting on social strategy, using her own social channels and curating promotional events. Hydralyte North America will also collaborate with Ms Mitchell to create a new flavor of Hydralyte specifically designed for the actress. Product development work is currently underway.

Hydralyte North America is confident that Ms Mitchell's appointment has the ability to unlock a number of value accretive opportunities. The Company anticipates that the agreement will also provide access to a large addressable market through her established social media following in North America.

Management commentary:

Hydralyte North America CEO Oliver Baker said: *"Shay is a superstar. She has a track record of building brands with style, passion, fun and most importantly authenticity. Her track record in the luggage and RTD seltzer space speaks for itself and it's no coincidence that her activity in these categories perfectly overlap with Hydralyte consumption occasions.*

"Importantly, Shay is Canadian born, which provides us with a unique opportunity to work with her in one of our larger operating markets. Her follower base also contains a large proportion of our target demographic. This gives us a very unique opportunity to not only market directly to these individuals, but also create a product in collaboration with Shay to drive potential sales growth.

"More broadly, we see a number of opportunities which Shay can help grow awareness of our health hydration solution across difference market segments, including general wellness, post-exercise, travel, immunity and recovery."

Investor webinar:

Hydralyte North America is pleased to invite shareholders and investors to attend a webinar with CEO Oliver Baker on Wednesday, 30 March 2022 at 11:00am AEDT. Mr Baker will provide an update on the Company's progress since listing and additional background on the agreement with Ms Mitchell. Shareholders are encouraged to submit questions prior to the webinar, which will be addressed at the conclusion of the presentation.

Event details:

- **Event:** Hydralyte North America investor webinar
- **Presenters:** CEO, Mr Oliver Baker
- **Date:** Wednesday, 30 March 2022
- **Time:** 11:00am AEDT
- **Link:** <https://register.gotowebinar.com/register/4838657526169493003>

To register, either click the above link or copy the link into your web browser. After registering, shareholders will receive a confirmation email with additional information.

To submit a question please email henry.jordan@sdir.com.au or alex@investorstream.com.au

ENDS

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

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Disclaimer

This announcement contains “forward-looking statements.” These can be identified by words such as “may”, “should”, “anticipate”, “believe”, “intend”, “estimate”, and “expect”. Statements which are not based on historic or current facts may be forward-looking statements. 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 of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. 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 presentation 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.

Annexure A

The material terms of the Agreement between Hydralyte LLC (**Company**), Shay Mitchell and Vita D'Amore, Inc. (**Lender**) (each a **Party**) are set out below:

- The initial term of the Agreement (**Initial Term**) will commence as of the date of this announcement and will remain in effect for two (2) years following the earlier of (i) the first public announcement regarding this partnership (excluding required ASX disclosures), and (ii) the first usage of materials, anticipated to be on or around 1 May 2022 and not later than 31 May 2022.
- Over the Initial Term, Ms Mitchell will perform the following services (**Services**):
 - participation in and creation of various marketing assets including video content, behind the scenes footage, stills and posts for the distribution on various social media platforms and attendance at media interviews, including phone and email interviews, and in persons appearances for public relations, product launches and promotional purposes;
 - posting original social media posts promoting the Company's products on Ms Mitchell's various social media platforms;
 - attending certain investor or retailer meetings in person or via video conference; and
 - participation in product collaboration meetings to develop a new flavour product specific to Ms Mitchell (**Product Collaboration**) and associated pitch meetings related to the Product Collaboration.
- In the branded hydration category, Ms Mitchell will provide the Services on a worldwide exclusive basis.
- In consideration for the provision of the Services, the Company has agreed to:
 - pay the Lender a material cash fee payable in tranches over the Initial Term (the terms of which are confidential and commercially sensitive); and
 - issue to Ms Mitchell or a nominee of Ms Mitchell the following equity (**Equity Compensation**):
 - a grant of Shares equal to the amount of USD\$250,000 as at the date of the Agreement (**Tranche 1 HPCo Shares**) by no later than 5 April 2022; and
 - an additional grant of Shares equal to the amount of USD\$250,000 one (1) year after the first public usage of the content created under the Agreement (**Tranche 2 HPCo Shares**); and
 - pay the Lender royalties with respect to all sales driven by Ms Mitchell² (**Shay Driven Sales**) (collectively referred to as **Royalties**).
- All Equity Compensation shall be subject to escrow for a period commencing on the respective dates on which the Tranche 1 HPCo Shares and Tranche 2 HPCo Shares are issued to Ms Mitchell and expiring on the date that is the earliest of:
 - with respect of 25% of the Tranche 1 HPCo Shares and Tranche 2 HPCo Shares, 14 June 2023;
 - with respect of the remaining 75% of the Tranche 1 HPCo Shares and Tranche 2 HPCo shares, 14 December 2023; and
 - the expiration or termination of the Agreement.
- The number of Tranche 1 HPCo Shares and Tranche 2 HPCo Shares to be issued shall be calculated by converting USD\$250,000 into Australian dollars using the then-current foreign exchange rate and then dividing that amount by the volume weighted average price of Shares trading on the ASX over the 10 days on which trades in the Company's Shares occur immediately prior to the relevant Calculation Date.
- The issue of each tranche of Equity Compensation will be conditional upon:
 - Ms Mitchell satisfying all applicable requirements under US or Canadian securities laws for the offer of securities without any filing, registration or lodgement under the laws of

² Shay Driven Sales means all sales of the Product Collaboration and all sales of the remainder of the Hydralyte product range with direct digital attribution to Ms Mitchell and all sales of certain displays that are sold to retailers.

- any jurisdiction outside of Australia, and also entering into a voluntary escrow agreement in the form required by the Company; and
- Hydralyte North America having sufficient capacity under its 15% placement capacity under ASX Listing Rule 7.1 (**Placement Capacity**) as at the date of calculating the applicable number of Shares in each Tranche (**Calculation Date**). In the event that the number of Shares in a Tranche exceeds the Placement Capacity as of such Calculation Date, then the number of Shares to be issued in that Tranche shall be issued as follows:
 - the maximum number of Shares that can be issued under the Placement Capacity as of the applicable Calculation Date shall be issued as of such Calculation Date; and
 - the remaining Shares comprising the relevant Tranche shall be issued as soon as possible after the relevant shareholder approval is obtained by Hydralyte North America (which approval the Company shall use good faith efforts to obtain), but no later than the earliest date pursuant to which there is sufficient additional Placement Capacity to issue such remaining Shares.
 - The payment of Royalties is set out below:
 - 5% of Net Wholesale Sales³ with respect to all Shay Driven Sales made by the Company to third party retailers; and
 - 5% of Net Direct Sales⁴ with respect to all Shay Driven Sales made by the Company.
 - In the event that the Product Collaboration is not launched and promoted by 1 November 2022, the Royalties shall increase by 5% to a total 10% on all products to which Royalties apply. In the event that the Product Collaboration is not launched by 31 January 2023, the Lender shall have the right to terminate the Agreement by providing the Company with written notice within 30 days.
 - The Agreement may be terminated by:
 - either Party immediately in the event that (among others):
 - the other Party materially breaches the terms of the Agreement and fails to cure such breach within five (5) business days after receipt of written notice thereof if the breach is curable;
 - the other Party (or in the case of the Company, each of its directors or C-level officers):
 - is indicted or charged (and the charges are not revoked within 10 days) for a felony or other crime involving moral turpitude; or
 - publicly engages in actions that are immoral and brings the Talent, campaign or Product Collaboration into disrepute;by providing written notice within thirty (30) days after the facts giving rise to the matter are brought to the Parties attention;
 - the Company upon Ms Mitchell's death or disability causing her to be unable to perform the Services for fourteen (14) days consecutive days, or twenty-one (21) days in the aggregate;
 - the Company where Ms Mitchell becomes generally associated with all products across the Ladder sports nutrition brand.

³ Net Wholesale Sales means one hundred percent (100%) of the gross wholesale sales of the products less any applicable customer taxes, shipping costs, verifiable returns and verifiable discounts.

⁴ Net Direct Sales means one hundred percent (100%) of the gross sales of the products directly to consumers less any applicable customer taxes, shipping costs, verifiable returns and verifiable discounts.