



## ADDENDUM TO NOTICE OF ANNUAL GENERAL MEETING THE HYDRATION PHARMACEUTICALS COMPANY LIMITED ACN 620 385 677

The Annual General Meeting (**AGM** or **Meeting**) of Shareholders of The Hydration Pharmaceuticals Company Limited (ACN 620 385 677) (**HPC** or the **Company**) will be held on **Friday, 27 May 2022 at 11:00am (AEST)**.

Notice is given that, in relation to the Company's Notice of Annual General Meeting dated 26 April 2022 (**Notice of Meeting**), the Directors of the Company have determined to issue this addendum to the Notice of Meeting (**Addendum**). This Addendum forms part of the Notice of Meeting. Defined terms in this Addendum have the same meaning as in the Notice of Meeting.

The Company confirms that in issuing this Addendum there is no change to the time and date of the Meeting (being Friday, 27 May 2022 at 11:00am (AEST)). The AGM will be held in person at cdPlus Corporate Services, Level 42, Rialto South Tower, 525 Collins Street, Melbourne Victoria 3000 and virtually via Zoom for Shareholders to view and participate.

### Purpose of this Addendum

The purpose of this Addendum is to amend the terms of the proposed offer of Options to the Company's Non-Executive Directors under Resolution 4 to Resolution 7 to increase the underlying value of each Option for the purposes of calculating the total number of Options to be issued to each Non-Executive Director respectively.

Each of Resolution 4 to Resolution 7 seeks approval for the issue of Options with an aggregate dollar value to the relevant Non- Executive Director, on the terms set out in the Explanatory Memorandum. Section 4.1 of the Explanatory Memorandum in the Notice of Meeting stated that the number of Options to be issued to each Non-Executive Director was to be determined with reference to the value of an Option calculated using the Black Scholes Option Pricing Model as at the date of the Meeting (**Original Option Valuation**). Following consultation with Shareholders, the Board has agreed to revise this calculation such that the number of Options to be issued to each Non-Executive Director will be determined with reference to the value of an Option calculated as two (2) times the Original Option Valuation, subject to a minimum value of \$0.56 per Option (**Revised Option Valuation**).

This Addendum is supplemental to the original Notice of Meeting and should be read in conjunction with the original Notice of Meeting. Save for the amendments set out below, all Resolutions proposed in the original Notice of Meeting remain unchanged.

### Voting Information

Given there is no proposed change to the total dollar value of Options to be issued to each Non-Executive Director under Resolution 4 to Resolution 7, no changes are required to the drafting of Resolution 4 to Resolution 7 as a result of the Revised Option Valuation. Accordingly, the Company does not consider it necessary to issue a replacement direct vote or proxy appointment form (**Voting Form**), given that there are no changes to the text of the Resolutions to be considered at the Meeting.

Any Shareholder who has submitted a Voting Form for Resolution 4 to Resolution 7 is not required to resubmit a Voting Form as a result of this Addendum, unless any Shareholder wishes to lodge a revised Voting Form.

Any Shareholder wishing to lodge a revised Voting Form may lodge a revised Voting Form online by visiting the website <https://investor.automic.com.au/#/loginsah> and following the instructions provided. Alternatively, Shareholders can obtain another Voting Form by contacting Automic on 1300 288 664 (within Australia) or +612 9698 5414 (Overseas).

Completed Voting Forms must be lodged online, or received by the Company or Automic, by no later than **11:00am (AEST) on Wednesday, 25 May 2022**. All Voting Forms received to date by the Company will be treated as valid unless a revised Voting Form is received by this time.

**Dated: 20 May 2022**  
**By order of the Board**

**Carlie Hodges**  
**Company Secretary**

# REVISED EXPLANATORY MEMORANDUM TO RESOLUTIONS 4 TO 7

Section 4 of the Explanatory Memorandum relating to Resolutions 4 to 7 is amended as shown in the mark-up below. All changes shown in mark-up are shown against Section 4 of the Explanatory Memorandum as it appears in the Notice of Meeting.

## 4. RESOLUTION 4 TO RESOLUTION 7 - APPROVAL OF PARTICIPATION IN EQUITY INCENTIVE PLAN AND ISSUE OF OPTIONS TO DIRECTORS

### 4.1 General

Subject to obtaining the relevant Shareholder approvals, the Company has agreed to issue the following securities under the EIP:

- (a) AUD\$40,000 worth of Options to George Livery, Chair and Non-executive Director (or his nominee) (being the subject of Resolution 4);
- (b) AUD\$30,000 worth of Options to Adem Karafili, Non-executive Director (or his nominee) (being the subject of Resolution 5);
- (c) AUD\$30,000 worth of Options to Gretta van Riel, Independent Non-executive Director (or her nominee) (being the subject of Resolution 6); and
- (d) AUD\$30,000 worth of Options to Margaret Hardin, Independent Non-executive Director (or her nominee) (being the subject of Resolution 7),

(together, the **EIP Securities**).

The number of EIP Securities to be issued to each Non-executive Director set out above will be determined by the following calculation:

$$A = \frac{B}{C}$$

where:

**A** = the number of EIP Securities to be issued to the relevant Non-executive Director;

**B** = the cash value of the EIP Securities agreed to be issued to the relevant Non-executive Director as set out above; and

**C** = the greater of:

(1) AUD\$0.56 (Minimum Valuation); or

~~(1)~~(2) the value of an Option as at the date of the Meeting, determined using the Black-Scholes Option Pricing Model (~~Option Valuation~~) multiplied by two (2) (Option Multiple Valuation).

### 4.2 Summary of Chapter 2E of the Corporations Act

Under section 208 of the Corporations Act, for a public company to give a financial benefit to a related party (such as a Director of the Company), the public company or entity must obtain the approval of the company's members unless the giving of the financial benefit falls within an exception set out in sections 210 and 216 of the Corporations Act.

Section 229 of the Corporations Act defines "financial benefit" broadly and includes, as an example of a "financial benefit", the issuing of securities or the granting of an option to a related party. Accordingly, the proposed issue of EIP Securities to Directors under Resolution 4 to Resolution 7 constitutes the provision of a financial benefit to a related party.

In respect of each Resolution, the disinterested Directors consider that the proposed issue of the relevant EIP Securities under each respective Resolution constitutes reasonable remuneration to the respective Director and, as such, falls within the exception set out in section 211 of the Corporations Act. In reaching this view, the disinterested Directors considered:

- (a) the position and responsibilities of each Director;
- (b) the Company's reliance on each Director;
- (c) the time commitment and workload required of each Director to drive the Company's strategies and objectives;
- (d) the considerable contribution that each Director has made and continues to make to the growth of the Company's business;

- (e) the need for the Company to effectively incentivise the Company's Directors (as appropriate, having regard to best corporate governance practices) while aligning the incentive with increasing Shareholder value;
- (f) prior advice provided by independent remuneration consultant, Godfrey Remuneration Group;
- (g) the desirability of preserving cash resources within the Company;
- (h) the composition and value of the remuneration packages of directors of other ASX-listed companies of similar size and circumstances to that of the Company;

~~(h)(i)~~ consultation with major shareholders; and

~~(h)(i)~~ the terms of the EIP Securities in light of the Company's business objectives and the current Share price.

The Board believes that the EIP Securities are an effective remuneration tool which preserves the cash reserves of the Company whilst providing valuable remuneration and incentive to each respective Director.

Accordingly, Shareholders are being asked to approve the issue of the EIP Securities in accordance with ASX Listing Rule 10.14 only.

#### 4.3 Summary of ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires Shareholder approval to be obtained in respect of an issue of equity securities (which includes Options) under an employee incentive plan to a Director of the Company. If approval is given under ASX Listing Rule 10.14, approval is not required under ASX Listing Rules 7.1 or 10.11.

If any of Resolution 4 to Resolution 7 (inclusive) is approved, the grant of the EIP Securities to the relevant Director will not be included in calculating the Company's 15% Placement Capacity.

If Shareholders do not approve one or more of the Resolutions to grant the EIP Securities, the proposed grants subject of those unapproved Resolutions will not proceed. In that circumstance, issues may arise with the competitiveness of the relevant Director's total remuneration package and alignment of rewards with other Non-Executive Directors in the Company. The Board would then need to consider alternative remuneration arrangements which are consistent with the Company's remuneration principles, including providing equivalent cash incentives.

#### 4.4 Technical information required by ASX Listing Rule 10.15

For the purposes of ASX Listing Rule 10.15, the following information is provided:

##### (a) Securities to be issued

The securities proposed to be issued are as follows:

- (i) to George Livery, being a Director of the Company (for the purposes of ASX Listing Rule 10.14.1), or his nominee, which would be an Associate of Mr Livery (for the purposes of ASX Listing Rule 10.14.2):
  - (A) AUD\$40,000 worth of Options under the EIP (being the subject of Resolution 4), the number of which is to be determined using the calculation set out in section 4.1 above;
- (ii) to Adem Karafili, being a Director of the Company (for the purposes of ASX Listing Rule 10.14.1), or his nominee, which would be an Associate of Mr Karafili (for the purposes of ASX Listing Rule 10.14.2):
  - (A) AUD\$30,000 worth of Options under the EIP (being the subject of Resolution 5), the number of which is to be determined using the calculation set out in section 4.1 above;
- (iii) to Gretta van Riel being a Director of the Company (for the purposes of ASX Listing Rule 10.14.1), or his nominee, which would be an Associate of Ms van Riel (for the purposes of ASX Listing Rule 10.14.2):
  - (A) AUD\$30,000 worth of Options under the EIP (being the subject of Resolution 6), the number of which is to be determined using the calculation set out in section 4.1 above; and
- (iv) to Margaret Hardin being a Director of the Company (for the purposes of ASX Listing Rule 10.14.1), or his nominee, which would be an Associate of Ms Hardin (for the purposes of ASX Listing Rule 10.14.2):
  - (A) AUD\$30,000 worth of Options under the EIP (being the subject of Resolution 7), the number of which is to be determined using the calculation set out in section 4.1 above.

By way of worked examples, based on an Option [Multiple Valuation](#) of AUD\$0.282911 (being two times the [Black Scholes Valuation of an Option as at 15 March 2022 of AUD\\$0.141455](#)) using the following inputs into the Black Scholes Option Pricing Model as at 15 March 2022, the following EIP Securities would be issued to the Non-Executive Directors:

- (i) Share price of \$0.27;
- (ii) exercise price of \$0.476;

- (iii) expected term of 5 years;
- (iv) volatility rate of 77%;
- (v) dividend yield of 0%; and
- (vi) risk-free interest rate of 2.70%.

Non-executive Director	Total value of Options	<u>Minimum Valuation</u>	Option <u>Multiple</u> Valuation		
		<u>\$0.56</u>	<u>\$0.282911</u> <del>\$0.070728</del>	<u>\$0.565822</u> <del>\$0.141455</del>	<u>\$0.707277</u> <del>282914</del>
			<u>Option Multiple Valuation</u> – 50% decrease in Option Valuation	<u>100% increase in Option Multiple Valuation</u> Option Valuation	<u>150% increase in Option Multiple Valuation</u> 100% increase in Option Valuation
George Livery	AUD\$40,000	<u>71,429 Options</u>	Same as Minimum Valuation – 71,429 Options <del>665,549 Options</del>	<u>70,694 Options</u> <del>282,775 Options</del>	<u>56,555 Options</u> <del>141,387 Options</del>
Adem Karafili	AUD\$30,000	<u>53,571 Options</u>	Same as Minimum Valuation – 53,571 Options <del>424,162 Options</del>	<u>53,020 Options</u> <del>212,084 Options</del>	<u>42,416 Options</u> <del>106,040 Options</del>
Gretta van Riel	AUD\$30,000	<u>53,571 Options</u>	Same as Minimum Valuation – 53,571 Options <del>424,162 Options</del>	<u>53,020 Options</u> <del>212,084 Options</del>	<u>42,416 Options</u> <del>106,040 Options</del>
Margaret Hardin	AUD\$30,000	<u>53,571 Options</u>	Same as Minimum Valuation – 53,571 Options <del>424,162 Options</del>	<u>53,020 Options</u> <del>212,084 Options</del>	<u>42,416 Options</u> <del>106,040 Options</del>

(b) Current Remuneration Packages

Mr Livery's current remuneration package is as follows:

- (i) annual fixed salary of USD\$60,000 base salary, including superannuation.

Mr Karafili's current remuneration package is as follows:

- (ii) annual fixed salary of USD\$50,000 base salary, including superannuation.

Ms van Riel's current remuneration package is as follows:

- (iii) annual fixed salary of USD\$50,000 base salary, including superannuation.

Ms Hardin's current remuneration package is as follows:

- (iv) annual fixed salary of USD\$50,000 base salary, including superannuation.

(c) Previous grants under the EIP

Mr Livery, Mr Karafili, Ms van Riel and Ms Hardin have not previously been issued any securities under the EIP.

(d) Summary of EIP Security terms

The proposed issue of the EIP Securities pursuant to Resolution 4 to Resolution 7 are seen as a cost-effective way of aligning each Director's interests with those of Shareholders by linking their remuneration with the long term performance of the Company.

Based on the Minimum Valuation as set out in section 4.4(a) above, each EIP Security will be valued at a minimum of \$0.56 per Option. Based on the Option Multiple Valuation of the Black-Scholes Option Pricing Model as at 15 March 2022 (and the inputs set out in section 4.4(a) above), each EIP Security would be valued at ~~\$0.282911~~ \$0.141455 per Option. The actual value of each EIP Security will be determined based on two (2) times the Black-Scholes Option Pricing Model as at the date of the Meeting, subject to a minimum value of \$0.56 per Option.

The material terms of the EIP Securities (the subject of Resolution 4 to Resolution 7) are as follows:

- (i) exercise price per Option will be \$0.476, being 200% of the VWAP of the Company's Shares over the 20 days on which trades in Shares occurred immediately following release of the Appendix 4E on 28 February 2022;

- (ii) the Options will be issued for nil consideration and no loan will be provided in respect of the Options. The relevant Director may exercise their Options by cash;
- (iii) the Options will expire on the date that is 5 years from the date of issue;
- (iv) each Option is exercisable into one Share;
- (v) the Options will be subject to time-based vesting conditions. Each Option will vest on the three (3) year anniversary of the date of issue;
- (vi) other material terms of the Options are set out in Annexure A to this Notice; and
- (vii) as the Options are to be issued under the EIP, the terms of the EIP will also apply.

(e) Timing of issue

The EIP Securities will be issued as soon as reasonably practicable following the Meeting and, in any event, by no later than 3 years after the date of the Meeting.

(f) EIP terms

A summary of the material terms of the EIP is set out in Annexure B. A full copy of the EIP Rules was lodged with the ASX on 10 December 2021 or is available from the Company by contacting the Company Secretary on +61 3 9614 2444 or at [hydralytecosec@cdplus.com.au](mailto:hydralytecosec@cdplus.com.au).

(g) Annual Reporting

Details of any securities issued under the EIP will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.

Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the EIP after Resolution 4 to Resolution 7 are approved and who were not named in this Notice will not participate until approval is obtained under ASX Listing Rule 10.14.

(h) Voting exclusion statement

A voting exclusion statement is included in the Notice for the purpose of Resolution 4 to Resolution 7.

#### 4.5 Conditionality of Resolutions

Resolution 7 is conditional on the passing of Resolution 1, meaning that if Resolution 1 is not passed by Shareholders at the Meeting, Resolution 7 will be withdrawn and the proposed issue of Options to Margaret Hardin will not proceed.

If Resolution 1 is passed, Shareholders will consider and vote on Resolution 7 in their discretion.

#### 4.6 Board Recommendation

The Board (other than George Livery) recommends that you vote in favour of Resolution 4. Mr Livery has abstained from making a recommendation to Shareholders in respect of this Resolution due to his material personal interest in the outcome of the Resolution.

The Board (other than Adem Karafili) recommends that you vote in favour of Resolution 5. Mr Karafili has abstained from making a recommendation to Shareholders in respect of this Resolution due to his material personal interest in the outcome of the Resolution.

The Board (other than Gretta van Riel) recommends that you vote in favour of Resolution 6. Ms van Riel has abstained from making a recommendation to Shareholders in respect of this Resolution due to her material personal interest in the outcome of the Resolution.

The Board (other than Margaret Hardin) recommends that you vote in favour of Resolution 7. Ms Hardin has abstained from making a recommendation to Shareholders in respect of this Resolution due to her material personal interest in the outcome of the Resolution.