



**THE HYDRATION PHARMACEUTICALS COMPANY
LIMITED
ACN 620 385 677**

PROSPECTUS

For a partially underwritten, non-renounceable, non-accelerated pro rata entitlement offer of 1 New Share for every 2.27 Shares held by Eligible Shareholders as at the Record Date, and 1 free attaching Entitlement Option for every 2 New Shares issued, at an offer price of \$0.045 per New Share, to raise up to approximately \$3.26 million (**Entitlement Offer**);

and

For an offer of up to 16,666,667 free attaching Placement Options for nil consideration, on the basis of one Placement Option for every 2 New Shares issued to investors under the Placement (**Placement Option Offer**).

The last date for acceptance and payment under the Entitlement Offer will be 5.00pm (Melbourne time) on Monday 4 September 2023 (unless the Offer is extended).

The Placement Option Offer is conditional upon the Company obtaining Shareholder approval at the Company's Extraordinary General Meeting expected to be held on or around 13 September 2023. The Placement Option Offer is only open to Placement Subscribers.

The Entitlement Offer is partially underwritten by BW Equities Pty Ltd. The Placement is being lead managed, but not underwritten, by BW Equities Pty Ltd.

IMPORTANT INFORMATION

This Prospectus is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The securities offered under this Prospectus should be considered as speculative.

**THE DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY
Not for release to US wire services or distribution in the United States**

IMPORTANT NOTICE

Prospectus

This Prospectus relates to:

- an offer of new fully paid ordinary shares (**New Shares**) and attaching Entitlement Options in The Hydration Pharmaceuticals Company Limited ACN 620 385 677 (ASX: HPC) (**Hydralyte North America or Company**) under the **Entitlement Offer**;
- the **Placement Option Offer**, being a conditional offer of Placement Options to participants in the Placement that is being undertaken by the Company; and
- the offer of Shortfall Securities under the Entitlement Offer that are not applied for by Eligible Shareholders under this Prospectus (**Shortfall Offer**). See Section 4.8 for further details.

The Entitlement Offer, Placement Option Offer and Shortfall Offer are referred to as the **Offers**.

This Prospectus is dated 4 August 2023 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The expiry date of the Prospectus is 5.00pm (Melbourne time) on the date that is 13 months after the date of this Prospectus (**Expiry Date**). No securities will be issued on the basis of this Prospectus after the Expiry Date.

This Prospectus is a 'transaction-specific' prospectus to which the special content rules under section 713 of the *Corporations Act 2001* (**Corporations Act**) apply. This allows the issue of a concise prospectus in relation to an offer of securities, or options to acquire securities, in a class which has been continuously quoted by the Australian Securities Exchange (**ASX**) in the three months prior to the date of the prospectus. This Prospectus does not include all of the information that would be disclosed for an initial public offering of securities. An application for quotation of the New Shares will be made to ASX within 7 days after the date of this Prospectus.

ASX maintains a database of publicly available information issued by the Company as a disclosing entity. None of ASIC, ASX or their respective officers, take any responsibility for the contents of this Prospectus or the merits of the securities to which this Prospectus relates.

Entitlement Offer

The Offers contained in this Prospectus include an invitation to Eligible Shareholders to acquire 1 New Share for every 2.27 fully paid ordinary Hydralyte North America shares (**Shares**) held on the Record Date, plus one free attaching Entitlement Option for every two New Shares issued under this Prospectus, at an offer price of \$0.045 per New Share (**Offer Price**), to raise up to approximately \$3.26 million (before costs) (**Entitlement Offer**). Each Entitlement Option issued pursuant to this Prospectus will have an exercise price of \$0.07 and an expiry date of 31 December 2025. The Entitlement Options will not be quoted on ASX.

The Entitlement Offer is non-renounceable and accordingly there is no rights trading.

The Entitlement Offer will be partially underwritten by BW Equities Pty Ltd: see Section 9.4 for further details.

Placement Option Offer

The Offers contained in this Prospectus includes an invitation to professional and sophisticated investors who participate in the Placement to acquire one free attaching Placement Option for every two New Shares issued under the Placement. The Placement Options are being offered for nil cash consideration and the Placement Option Offer is subject to Shareholder approval. The Placement is being conducted at the same Offer Price as the Entitlement Offer.

The Placement Options will be issued on the same terms as the Entitlement Options: each Placement Option will have an exercise price of \$0.07 and an expiry date of 31 December 2025.

Placement Options and Entitlement Options

The Placement Options and Entitlement Options (together, the **Options**) are being offered under this Prospectus and will be issued on the same terms. The Options will not be quoted on the ASX.

Instrument 2016/80

This Prospectus has been prepared, in part, to ensure that the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80 (**Instrument 2016/80**) is available in respect of the Options. Instrument 2016/80 provides relief from the on-sale provisions of section 707 of the Corporations Act and will relieve the need for any further disclosure to be made prior to the on-sale of Shares issued following the exercise of Options, within 12 months of their date of issue. Shares issued on exercise of the Options will be able to be immediately traded on ASX (subject to the grant of quotation).

Exposure period and cooling off rights

No exposure period applies to this Prospectus by operation of ASIC Corporations (Exposure Period) Instrument 2016/74.

Cooling off rights do not apply to an investment in New Shares or Options. You cannot withdraw your Application once it has been accepted.

Obtaining a Prospectus and Entitlement and Acceptance Form

Applications for New Shares and Entitlement Options (together, **New Securities**) offered pursuant to this Prospectus in respect of the Entitlement Offer can be submitted on an Entitlement and Acceptance Form. Eligible Shareholders will be able to access a copy of this Prospectus and a personalised Entitlement and Acceptance Form from the Offer Website at <https://investor.automic.com.au/#/home>. Paper copies of this Prospectus and an Entitlement and Acceptance Form can be obtained free of charge during the Offer Period by calling the Share Register 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia), from 8.30am to 7.00pm, Monday to Friday.

Electronic prospectus

This Prospectus is available electronically at the Offer Website. The Entitlement and Acceptance Form accompanying the electronic version of this Prospectus must only be used within Australia and New Zealand. An Entitlement and Acceptance Form cannot be downloaded without also downloading this Prospectus. Electronic versions of this Prospectus should be downloaded and read in its entirety. Applications for New Securities under the Entitlement Offer may only be made on the Entitlement and Acceptance Form by following the instructions on the Offer Website.

The Lead Manager will provide an Application Form for Placement Options to each participant in the Placement (which will be accompanied by a copy of this Prospectus).

Investor warning

The Offers contained in this Prospectus do not take into account the investment objectives, financial position and particular needs of individual investors. It is important that you read this Prospectus carefully and in full before deciding to apply for New Securities or Placement Options. In particular, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding to invest.

No representation other than in this Prospectus

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Except as required by law, and only to the extent so required, neither Hydralyte North America nor any other person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Prospectus, or on the exercise of the Options issued under this Prospectus.

Risk factors

Potential investors should be aware that subscribing for the New Securities and Placement Options and exercising any Options involves a number of risks. The key risk factors which investors should be aware of are set out in Section 7 of this Prospectus. These risks, together with other general risks applicable to all investments in listed and unlisted securities, which are not specifically referred to, may affect the value of the New Securities and Placement Options in the future.

Australian and New Zealand residents only

The New Securities to be issued under this Prospectus in respect of the Entitlement Offer will only be offered to Eligible Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00PM (Melbourne time) on the Record Date. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. Seek advice on and observe any restrictions. This Prospectus is not an offer in any place where, or to any person to whom, it would not be lawful to make the Offer. In particular, this Prospectus and the New Securities to be issued under the Prospectus have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and the Entitlement Offer may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

You may only apply for New Shares in Australian dollars. You can contact the Share Registry on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia) from 8.30am to 7.00pm Monday to Friday, if you are an Eligible Shareholder but are unable to pay for New Shares in Australian dollars.

New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

Financial information and forward looking statements

Section 6 sets out the financial information referred to in this Prospectus and the basis of preparation of that information. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties. Any forward looking statements are subject to various risk factors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with the risk factors set out in Section 7, and other information in this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are defined throughout the Prospectus or in the Glossary in Section 10.

A reference to \$ or cents in this Prospectus is a reference to Australian currency (unless otherwise stated). A reference to time in this Prospectus is a reference to Melbourne, Australia time.

Photographs and diagrams

Any photographs used in this Prospectus without descriptions are only for illustration. Any diagrams used in this Prospectus may not be drawn to scale.

Privacy

If you apply for New Securities or Placement Options, you will provide personal information to the Company and the Share Registry. The Company and the Share Registry collect, hold and use your personal information in order to assess your Application, service your needs as a holder of the Shares and Options, provide facilities and services that you request and carry out appropriate administration. Company and tax laws require some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

Each of the Company and the Share Registry may disclose your personal information for purposes related to your Share and Option holding to each other and to their respective agents and services providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) (**Privacy Act**):

- in the case of the Company, to the Share Registry for ongoing administration of the Share and Option registers; and
- in the case of the Company and the Share Registry, to printers and mailing houses for the purposes of preparation and distribution of security holder information and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by contacting the Company’s Share Registry at <https://www.automicgroup.com.au/privacy-policy/> or by phone on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia).

CONTENTS

Section	Page
Important Notice	1
Contents	4
Key Dates	5
Key Details of the Capital Raising	6
1. Corporate Directory	7
2. Chairman's Letter	8
3. Details of the Offers	10
4. Applying under the Offers	14
5. Purpose and Effect of the Offers	22
6. Financial Information	25
7. Risk Factors	27
8. Rights and Liabilities Attaching to Securities	33
9. Additional Information	38
10. Glossary	47

KEY DATES

The key dates in respect of the Offers are as follows.

Event	Date (2023)
Lodgement Date Prospectus lodged with ASIC and ASX	Friday 4 August
Record Date for eligibility to participate in the Entitlement Offer	Wednesday 9 August (7:00pm)
Settlement of the Placement	Thursday 10 August
Placement Issue Date Issue of New Shares under the Placement Lodgement of Cleansing Notice in connection with the Placement Trading of New Shares issued under the Placement	Friday 11 August
Entitlement Offer and Placement Option Offer Opening Date Prospectus and Entitlement & Acceptance Form (or Option application form for Placement participants) available to Eligible Shareholders and Placement participants	Monday 14 August
Offer Closing Date Entitlement Offer and Placement Option Offer close	Monday 4 September
Announcement of results of the Entitlement Offer	Thursday 7 September
Issue of New Shares and Entitlement Options under the Entitlement Offer	Monday 11 September
Extraordinary General Meeting	Wednesday 13 September
Issue of Placement Options (subject to Shareholder approvals)	Mid-September

Hydralyte North America reserves the right to vary these times and dates, by agreement with the Lead Manager and subject to the ASX Listing Rules and the Corporations Act. All times are Melbourne times.

KEY DETAILS OF THE CAPITAL RAISING

Entitlement Offer	
Entitlement Offer ratio	1 New Share for every 2.27 Shares held by Eligible Shareholders on the Record Date together with one Entitlement Option for every two New Shares issued
Offer Price	\$0.045 per New Share
Number of New Shares offered under the Entitlement Offer (assuming full subscription)	72,386,841
Number of Entitlement Options offered under the Entitlement Offer (assuming full subscription)	36,193,421
Proceeds of the Entitlement Offer before costs (assuming full subscription)	\$3.26 million
Total amount raised if all Entitlement Options are exercised	\$2.53 million
Placement	
Number of New Shares offered under the Placement at the Offer Price	33,333,333
Proceeds of the Placement before costs	\$1,499,999.97
Number of Placement Options offered under the Placement Option Offer	16,666,667
Total amount raised if all Placement Options are exercised	\$1,166,666.69
Capital Raising	
Proceeds of the Capital Raising before costs (assuming full subscription)	\$4,757,407.77
Shares on issue as at the Prospectus Date	164,318,128
Shares on issue on completion of the Capital Raising (assuming full subscription)	270,038,302
Options on issue as at the Prospectus Date (exercisable between \$0.20 and \$1.45)	38.9 million
Options to be issued under Prospectus (assuming full subscription)	52.9 million
Performance Rights	2.9 million

Final numbers will vary as a result of rounding and may vary if any Shares are issued prior to the Record Date.

1 CORPORATE DIRECTORY

Directors George Livery (Non-Executive Chair) Gretta van Riel (Non-Executive Director) Adem Karafili (Non-Executive Director) Margaret Hardin (Non-Executive Director)	Registered Office Level 42, Rialto South Tower 525 Collins Street Melbourne VIC 3000 Website: www.hydralyte.com
Company Secretary Victoria Nadalin Chief Financial Officer Chris Kavanaugh	Lead Manager BW Equities Pty Ltd Level 30, 360 Collins Street Melbourne VIC 3000
Share Registry Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 Telephone: 1300 288 664 +61 2 9698 5414 Website: www.automicgroup.com.au	Australian Legal Adviser Becketts Lawyers Pty Ltd Level 34, 120 Collins Street Melbourne VIC 3000
Offer Website https://investor.automic.com.au/#/home ASX Code: HPC	Auditor* PricewaterhouseCoopers Level 19/2 Riverside Quay Southbank VIC 3006

*The Auditor is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2 CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Directors of Hydralyte North America, it is my pleasure to invite you to participate in the Offers.

Company update

2023 has been a busy year for Hydralyte North America, with the Company focused on the execution of cost reduction strategies to extend cash life through significantly reduced marketing spend, while leveraging our market footprint to maintain record sales and consistently high growth. Our most recent quarterly report shows that this is proving successful: despite our lowest quarterly marketing spend since IPO, Q2 2023 saw a 10% rise in sales over the previous quarter, marking our ninth straight quarter of sales growth on a trailing 12-month basis. The commencement of a new Canadian-based contract manufacturer is expected to lead to a reduction in costs and freights and an increased gross margin in that market, while our international expansion into the UK is exceeding expectations, with products now sold in Wholefoods and Chemist Warehouse stores across the region. By combining investment in inventory growth, ecommerce, product development and manufacturing with stringent cost measures across the business, we are pursuing reduced cash burn through improved return on marketing.

To increase financial flexibility, in FY22 the Company secured a A\$12m loan facility from existing substantial shareholder PURE Asset Management Pty Ltd (PURE) with availability in two tranches, the first of which was drawn in November FY22 (see the Company's ASX release dated 17 October 2022). 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. This second tranche will only be made available if PURE consents (at its discretion) to make it available when 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. For more information, please see section 9.1 of this Prospectus.

Overview of Capital Raising

The Company is raising gross proceeds of up to approximately \$4.8 million before costs, by way of:

- an institutional placement of New Shares to professional and sophisticated investors at the Offer Price of \$0.045 per New Share to raise approximately \$1.5 million (**Placement**); and
- a pro rata, non-renounceable entitlement offer of one New Share for every 2.27 Shares held by Eligible Shareholders at 7.00pm (Melbourne time) on Wednesday 9 August 2023 (**Record Date**), at the Offer Price to raise up to approximately \$3.26 million (**Entitlement Offer**).

The holders of New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer.

The Placement and Entitlement Offer are being lead-managed by BW Equities Pty Ltd and the Entitlement Offer is being partially underwritten by BW Equities Pty Ltd up to \$2.5 million worth of New Shares.

In addition, for every two New Shares that are issued pursuant to the Entitlement Offer and Placement, participants in the Capital Raising will be offered one new free attaching option for nil cash consideration.

Each Option issued under the Entitlement Offer and Placement will entitle the holder to subscribe for one Share and will have an exercise price of \$0.07 and an expiry date of 31 December 2025 (**Options**). The Options will not be quoted on ASX.

The Placement Option Offer is conditional on Shareholder approval, to be considered at the Extraordinary General Meeting. The offer of Options to Entitlement Offer participants is not subject to Shareholder approval.

Use of proceeds of the Capital Raising

The Company intends to use the funds raised from the Capital Raising, and the proceeds raised from the exercise of any Options, for:

- sales and marketing initiatives;
- working capital; and
- other expenses as appropriate (including the costs incurred as part of the Capital Raising).

Further details are provided in Section 3.2.

Shortfall Facility

The Entitlement Offer incorporates a shortfall facility under which Eligible Shareholders that have taken up their full Entitlement under the Entitlement Offer can apply to take up additional New Shares and Options in excess of their pro rata entitlement which have not been taken up by other Shareholders pursuant to their Entitlements. Further details on the Shortfall Facility are provided in Section 4.7.

Action you should take

The Entitlement Offer is currently scheduled to close at 5.00pm (Melbourne time) on Monday 4 September 2023. If you wish to subscribe for New Securities under the Entitlement Offer, you must ensure that your Application and payment is received by this time in accordance with the instructions set out in Section 4.

Prospectus

This Prospectus contains important information regarding the Offers, and I encourage you to read it carefully before making any investment decision, having particular regard to the 'Risk Factors' outlined in Section 7 of this Prospectus.

If you have any questions, you should consult your financial or other professional adviser. We look forward to your support of Hydralyte North America.

Yours sincerely,



George Livery
Chairman
The Hydration Pharmaceuticals Company Limited

3 DETAILS OF THE OFFERS

3.1 Background and overview

On 3 August 2023, Hydralyte North America announced a Capital Raising to raise a total of up to approximately \$4.8 million (before costs) through the issue of New Shares and Options as follows.

Entitlement Offer

- (a) A non-renounceable pro rata entitlement offer of one New Share for every 2.27 Shares held by Eligible Shareholders at the Offer Price of \$0.045 per New Share, to raise up to approximately \$3.26 million through the issue of up to approximately 72,386,841 New Shares.
- (b) New Shares are being offered under the Entitlement Offer with one free attaching Entitlement Option for every two New Shares issued.
- (c) The Entitlement Offer is partially underwritten by the Lead Manager up to \$2.5 million worth of New Shares.

Placement

- (d) A placement to professional and sophisticated investors to raise \$1.5 million (before costs) (**Placement**) through the issue of 33,333,333 New Shares at the Offer Price of \$0.045 per New Share.
- (e) The Placement utilises the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A, and will complete on 11 August 2023.
- (f) New Shares are being offered under the Placement with one free attaching Placement Option for every two New Shares issued under the Placement (**Placement Option Offer**). The Placement Option Offer is conditional on Shareholder approval and is being made under this Prospectus.
- (g) The Placement is being lead-managed by the Lead Manager. The Placement is not underwritten.

Offer of Options

- (h) Shares issued under the Placement and Entitlement Offer are being offered with free attaching Options, on the basis of one free attaching Option for every two New Shares issued to investors under the Placement and Entitlement Offer, comprising:
 - (i) approximately 16,666,667 Options (subject to rounding) offered to participants in the Placement (**Placement Options**), subject to Shareholder approval; and
 - (ii) approximately 36,193,421 Options (subject to rounding) offered to participants in the Entitlement Offer (**Entitlement Options**).
- (i) The Options are being offered under this Prospectus.
- (j) The terms of issue of the Options are set out in Section 8.
- (k) The Options will not be quoted on ASX.

Shortfall Offer

- (l) The Offers being made under this Prospectus also include the Shortfall Offer, which is the offer of New Securities not taken up under the Entitlement Offer (including the Shortfall Facility). See Section 3.7 for further details.

3.2 Use of proceeds of the Capital Raising

The Company intends to use the proceeds of the Capital Raising, together with the proceeds from the exercise of the Pure Warrants (refer section 9.1) as follows (assuming full subscription):

Sources of funds	Amount	Use	Amount
Capital Raise Funds	\$4.8 million	Marketing and Growth Initiatives	\$1.1 million
Pure Warrant Exercise	\$0.4 million	Working Capital	\$3.7 million
		Offer costs	\$0.4 million
Total	\$5.2 million	Total	\$5.2 million

The Board reserves the right to vary the uses of funds raised from the Offers at its discretion and in the interests of Shareholders.

3.3 Entitlement Offer

The Entitlement Offer made under this Prospectus relates to a pro rata, non-renounceable, non-accelerated entitlement offer by Hydralyte North America to Eligible Shareholders, to be issued one New Share for every 2.27 Shares held on the Record Date (7.00pm on 9 August 2023), at the Offer Price of \$0.045 per New Share.

For every two New Shares they are issued, Eligible Shareholders will also be offered one Entitlement Option at no further cost. The offer of Entitlement Options is not conditional on Shareholder approval.

Fractional entitlements to New Shares and Entitlement Options will be rounded up to the nearest whole number of New Shares and Entitlement Options.

Eligible Shareholders are also invited to apply for Additional New Securities in excess of their Entitlement under the Shortfall Facility (described in Section 4.7 below).

The Entitlement Offer is expected to raise gross proceeds of up to approximately \$3.26 million before costs.

The Entitlement Offer is partially underwritten by BW Equities Pty Ltd. See Section 9.4 for further details.

3.4 Placement Option Offer

Investors under the Placement (**Placement Subscribers**) are being offered one free attaching Placement Option, for nil cash consideration, for every two Shares issued to each Placement Subscriber. Fractional entitlements to Placement Options will be rounded up to the nearest whole number.

The Placement Option Offer is being made under this Prospectus and will result in the issue of up to approximately 16,666,667 Placement Options to Placement Subscribers.

The Placement Option Offer is conditional on Shareholder approval for the purposes of ASX Listing Rule 7.1.

For personal use only

Only Placement Subscribers are eligible to participate in the Placement Option Offer.

3.5 Terms of Options and use of funds realised from exercise of Options

The Entitlement Options and Placement Options (the **Options**) are being offered on identical terms, being:

- (a) each Option is exercisable for one Share at an exercise price of \$0.07; and
- (b) each Option has an expiry date of 31 December 2025.

The offer and issue of Placement Options is subject to Shareholder approval. The offer and issue of Entitlement Options is not subject to Shareholder approval.

The Options offered under this Prospectus will be issued for nil cash consideration. Accordingly, the Company will not raise any proceeds by the issue of Options under this Prospectus.

3.6 Use of proceeds raised from exercise of Options

Any proceeds raised by the exercise of Options will be directed towards marketing and sales initiatives, and working capital.

3.7 No general public offer

There is no general public offer of New Shares or Options under this Prospectus.

3.8 Shortfall Offer

Any Entitlements not taken up under the Entitlement Offer (including the Shortfall Facility) will become **Shortfall Securities**. The offer to issue Shortfall Securities is a separate offer under this Prospectus (**Shortfall Offer**).

Subject to the terms of the Offer Management and Underwriting Agreement, if any New Securities are not validly subscribed for under the Entitlement Offer (including the Shortfall Facility), the Lead Manager must subscribe, or procure subscriptions, and pay or procure payment of the Offer Price in respect of the Shortfall Securities up to the underwritten amount of \$2.5 million.

The allocation of any Shortfall Securities in respect of the Entitlement Offer will be determined by the Company and the Lead Manager (subject to the terms of the Shortfall Facility) and may include allocations to Institutional Investors who have committed to sub-underwrite the offer of New Securities under the Entitlement Offer. The Company and the Lead Manager may invite Institutional Investors to participate in the Shortfall Offer.

If any New Securities are not subscribed for under the Entitlement Offer, these New Securities will be allocated in priority to Eligible Shareholders who have participated in the Shortfall Facility (subject to the terms of the Shortfall Facility).

The Shortfall Securities will be offered and issued under this Prospectus at the Offer Price and will have the same terms as the New Securities. Shortfall Securities will not be allocated and issued under the Shortfall Offer where the Company considers that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant regulation or law.

Directors cannot be issued New Securities under the Shortfall Offer, however may be issued New Securities as sub-underwriters.

3.9 Participation by existing option holders

Holders of existing options will not be able to participate in the Entitlement Offer unless they:

- For personal use only
- (a) have exercised their existing options under the terms of their issue and become registered as Shareholders prior to the Record Date; and
 - (b) participate in the Entitlement Offer as an Eligible Shareholder in respect of the Shares issued on exercise of the existing options.

3.10 Ranking of New Shares and Shares issued on exercise of the Options

The New Shares issued under the Placement and Entitlement Offer, and the Shares issued on exercise of the Options issued under this Prospectus, will rank equally with existing, fully paid ordinary shares at their time of issue, save that the New Shares issued under the Placement and Entitlement Offer will be offered with free attaching Options.

3.11 Non-renounceable Offers

The Entitlement Offer and Placement Option Offer are non-renounceable. Therefore you cannot trade Entitlements to participate in either Offer and you cannot transfer or otherwise dispose of Entitlements.

3.12 Withdrawal of Offers

The Company reserves the right to withdraw any of the Offers and this Prospectus, at any time, subject to applicable laws and the terms of each of the Offers. In that case, Hydralyte North America will refund any Application Monies for New Securities (where the amount is \$2.00 or greater) in accordance with the Corporations Act and without payment of interest.

3.13 Lead Manager and underwriting

The Placement is being lead managed by the Lead Manager and the Entitlement Offer (but not the Placement) is being partially underwritten by the Lead Manager. Refer to Section 9 for further information.

4 APPLYING UNDER THE OFFERS

4.1 Entitlement Offer

Only Eligible Shareholders, being Shareholders on the Share register at 7.00pm on the Record Date (9 August 2023) with a registered address in Australia or New Zealand, are permitted to participate in the Entitlement Offer (unless otherwise determined by the Board).

This Prospectus, and a personalised Entitlement and Acceptance Form, will be made available to Eligible Shareholders via the Share Registries Investor Portal <https://investor.automic.com.au/#/home>. This Prospectus does not constitute an offer to issue New Securities in any place in which, or to any person to whom, it would not be lawful to make that offer.

The number of New Securities that Eligible Shareholders are entitled to under the Entitlement Offer (i.e. their Entitlement) is shown on their personalised Entitlement and Acceptance Form, which is accessible on the Offer Website.

Eligible Shareholders may:

- (a) take up part or all their Entitlement (refer to Section 4.2);
- (b) take up all of their Entitlement and apply for additional New Securities under the Shortfall Facility (refer to Section 4.3); or
- (c) do nothing and let their Entitlement lapse (refer to Section 4.4).

Ineligible Shareholders are not entitled to participate in the Entitlement Offer.

Entitlements are non-renounceable and cannot be sold or transferred.

Your completed Entitlement and Acceptance Form should be submitted online at the Offer Website.

Hydralyte North America may reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Offer Closing Date.

4.2 If you wish to take up all or part of your Entitlement

If you wish to take up part or all of your Entitlement, please follow the instructions on the Offer Website at <https://investor.automic.com.au/#/home>.

You will need to provide your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and postcode to access the online application system and follow the instructions provided, including paying your Application Monies via BPAY using the details set out in your personalised Entitlement and Acceptance Form.

For New Zealand Shareholders only, you will be provided with alternative electronic funds transfer (**EFT**) payment arrangements for the payment of your Application Monies on your Entitlement and Acceptance Form. Where you do not have an account that supports BPAY transactions to an Australian bank account, please make your payment via EFT using the details set out in your Entitlement and Acceptance Form.

Please allow enough time to submit your Application so that your Application Monies are received by the Share Registry by no later than 5.00pm (Melbourne time) on 4 September 2023.

Hydralyte North America reserves the right (in its absolute discretion) to reduce the number of New Securities issued, if it believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to the Company's satisfaction.

4.3 If you wish to take up all of your Entitlement and apply for New Securities under the Shortfall Facility

Follow the instructions on the Offer Website to take up all of your Entitlement (see Section 4.2) and apply for additional New Securities in accordance with the instructions provided in the Offer Website.

4.4 If you wish to allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

4.5 Payment for your Entitlement

If you reside in Australia, you are required to pay your Application Monies using BPAY.

For all Eligible Shareholders who are unable to make payment using BPAY, you can make payment via EFT of your Application Monies on your Entitlement and Acceptance Form.

Cash, cheque, bank draft or money order payments will not be accepted. Receipts for payment will not be issued.

Hydralyte North America will treat you as applying for as many New Securities as your payment will pay for in full, up to your Entitlement (including if applicable the Shortfall Facility).

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

(a) Payment by BPAY

For payment by BPAY, please follow the instructions on the Offer Website and your personalised Entitlement and Acceptance Form, available at <https://investor.automic.com.au/#/home>. You can only make payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

Please note that by paying by BPAY:

- you do not need to submit a paper copy of your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 4.6 below; and
- if you do not pay for your full Entitlement you are deemed to have taken up your Entitlement in respect of such whole number of New Securities which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5.00pm (Melbourne time) on Monday 4 September 2023. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration in the timing of when you make payment.

(b) **Payment by EFT**

If you are an Eligible Shareholder who does not have an account that supports BPAY, you can access alternative electronic funds transfer (EFT) payment instructions when you submit your personalised Entitlement and Acceptance Form online via the Offer Website in accordance with the instructions on the form.

It is your responsibility to ensure that your EFT payment is received by the Share Registry by no later than 5.00pm (Melbourne time) on Monday 4 September 2023. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Your EFT payment must be:

- for an amount equal to A\$0.045 multiplied by the number of New Shares that you are applying for; and
- in Australian currency.

Where you will be making an EFT payment from New Zealand dollars (or other currency), please ensure that sufficient funds are transferred to cover all currency conversion costs so that the full amount of your Application Monies is received by the Share Registry. If the amount of your EFT payment for Application Monies (or the amount for which the EFT payment clears in time for allocation) is insufficient to pay in full for the number of New Securities you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Securities as your cleared Application Monies will pay for (and to have specified that number of New Securities on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

4.6 Eligible Shareholder declarations

A completed Application, or a payment made through BPAY or EFT, constitutes a binding offer to acquire New Securities on the terms and conditions set out in this Prospectus and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Securities. The Directors' decision whether to treat an acceptance as valid, and how to construe, amend or complete the Entitlement and Acceptance Form, is final.

By completing and submitting your Entitlement and Acceptance Form or making a payment by BPAY or EFT, you will be deemed to have acknowledged, represented and warranted for the benefit of the Company and the Lead Manager, on behalf of each person on whose account you are acting that you are an Eligible Shareholder and:

- (a) you have received, read and understand this Prospectus and your Entitlement and Acceptance Form in their entirety;
- (b) you agree to be bound by the terms and conditions of the Entitlement Offer, the provisions of this Prospectus, your personalised Entitlement and Acceptance Form, and the Constitution;
- (c) you authorise the Company to register you as the holder(s) of New Securities allotted to you;
- (d) all details and statements in the Entitlement and Acceptance Form are complete, accurate and up to date;

- (e) you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the Entitlement and Acceptance Form;
- (f) you accept that there is no cooling off period under the Entitlement Offer and that once the Company receives your Entitlement and Acceptance Form or any payment of Application Monies (via BPAY or any other form of payment), you may not withdraw your Application or funds provided except as allowed by law;
- (g) you agree to apply for and be issued up to the number of New Securities specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY or any other form of payment, at the Offer Price per New Share;
- (h) you authorise the Company, the Lead Manager, the Share Registry and their respective officers and agents to do anything on your behalf necessary for New Securities to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your Entitlement and Acceptance Form;
- (i) you declare that you are the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you;
- (j) the information contained in this Prospectus and your Entitlement and Acceptance Form is not investment advice nor a recommendation that New Securities are suitable for you given your investment objectives, financial situation or particular needs;
- (k) you acknowledge the statement of risks in the "Risk Factors" outlined in Section 7 of this Prospectus, and that investments in the Company are subject to risks, not all of which are disclosed in this Prospectus;
- (l) you acknowledge that none of the Company or the Lead Manager or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of capital;
- (m) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (n) you authorise the Company to correct any errors in your Entitlement and Acceptance Form or other form provided by you;
- (o) you represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Securities and that you are otherwise eligible to participate in the Entitlement Offer;
- (p) you are an Eligible Shareholder and are not in the United States and are not a person acting for the account or benefit of a person in the United States;
- (q) if you are acting as a nominee or custodian, (i) each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand, (ii) you are not acting for the account or benefit of a person in the United States and (iii) will not send any materials relating to the Entitlement Offer to any person in the United States or any country where it would be illegal; and
- (r) you make all other representations and warranties set out in this Prospectus.

4.7 Shortfall Facility

The Entitlement Offer incorporates a Shortfall Facility under which Eligible Shareholders who have subscribed for their full Entitlement can apply for Additional New Securities (in excess of their Entitlement) capped at a maximum representing up to 100% of their Entitlement. The issue of Additional New Securities will depend on there being a shortfall in the take up of Entitlements under the Entitlement Offer.

Eligible Shareholders who wish to apply for Additional New Securities under the Shortfall Facility can do so by paying the Application Monies for an amount equal to the Offer Price multiplied by the number of New Shares that you are applying for.

(a) *Allocation of shortfall among applicants under the Shortfall Facility*

If Eligible Shareholders submit Applications under the Shortfall Facility, any allocation of Additional New Securities among those applicants, will be considered and determined by the Board at its discretion, taking into account the total shortfall, the number of Additional New Securities applied for and each Applicant's current Shareholding.

In the event that the Entitlement Offer shortfall is less than the number of New Securities applied for under the Shortfall Facility, scale back will apply to applicants under the Shortfall Facility at the discretion of the Directors and to the extent permitted by law.

To the extent that there is a shortfall in the Entitlement Offer, New Securities will be allocated in priority to Eligible Shareholders, up to the capped amount.

(b) *No certainty regarding allocations*

As a consequence of the arrangements described above, there can be no guarantee of the number of Additional New Securities available to Eligible Shareholders under the Shortfall Facility.

Eligible Shareholders who apply for Additional New Securities under the Shortfall Facility will be bound to accept any lesser number of Additional New Securities allocated to them in accordance with the allocation procedure described above. If you do not receive all of the Additional New Securities you applied for, any excess Application Monies will be returned to you without interest.

(c) *Takeover law requirements*

It is the responsibility of each Eligible Shareholder to ensure that it will not breach the takeovers provisions under the Corporations Act by applying for Additional New Securities under the Shortfall Facility. These provisions are set out in section 606 of the Corporations Act. No Eligible Shareholder will be permitted to acquire Additional New Securities under the Shortfall Facility to the extent the Directors consider (acting reasonably) that doing so would result in a contravention of the takeovers limits in section 606 of the Corporations Act (in circumstances where an exception in section 611 of the Corporations Act does not apply).

4.8 Shortfall Offer

To the extent the Shortfall Securities are not taken up in the Shortfall Facility, the Company and the Lead Manager will invite Institutional Investors (which may include sub-underwriters) to subscribe for those Shortfall Securities in the Shortfall Offer.

The Shortfall Offer is made under this Prospectus and will close at the time of issue of New Securities under the Entitlement Offer.

4.9 Applying for Placement Options under the Placement Option Offer

Applications for Placement Option under the Placement Option Offer may only be submitted by the Placement Subscribers and must be made using the Placement Options Application Form that accompanies this Prospectus and is provided directly to the Placement Subscribers by the Lead Manager or the Company.

Completed Placement Options Application Forms must be received by the Lead Manager or the Company by no later than 5.00pm on the Offer Closing Date (4 September 2023).

The Offer of Placement Options is conditional upon Shareholder approval.

4.10 Minimum and maximum subscriptions

There is no minimum subscription under any of the Offers.

Eligible Shareholders who have subscribed for their full Entitlement under the Entitlement Offer are permitted to subscribe for New Securities in excess of their Entitlement under the Shortfall Facility.

No Placement Subscriber may apply for Placement Options in excess of their Entitlement.

4.11 Offer Period

The Entitlement Offer and the Placement Option Offer will both open on Monday 14 August 2023 (**Offer Opening Date**).

Applications for both the Entitlement Offer and the Placement Option Offer will close at 5.00pm on Friday 4 September 2023 (**Offer Closing Date**), other than in respect of the Shortfall Offer (which will remain open until the issue of New Securities under the Entitlement Offer).

The Offer Opening Dates and Offer Closing Date are subject to change without notice. The Company may vary these dates, including to close the Entitlement Offer or the Placement Option Offer early or extend the Offer Closing Date, at any time prior to the issue of New Securities and Placement Options (subject to the Corporations Act and the ASX Listing Rules and the terms of the Offers).

If any of the dates are changed, subsequent dates may also change.

Eligible Shareholders are encouraged to lodge your Entitlement and Acceptance Form as soon as possible after the Offer Opening Dates.

4.12 ASX quotation – New Shares

The Company will apply for quotation of the New Shares issued under the Prospectus on ASX within 7 days after the date of this Prospectus, however there is no guarantee that the New Shares will be quoted. If ASX does not grant official quotation of the New Shares offered pursuant to this Prospectus before the expiry of 3 months after the Prospectus Date, the Company will not issue any New Shares (or Entitlement Options) and will repay all Application Monies for the New Shares applied for under the Entitlement Offer (without interest).

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

The Options will not be quoted on ASX.

4.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Share or Option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Instead of Share and Option certificates, investors will be provided with a holding statement or confirmation notice that sets out the number of New Securities allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Securityholder Reference Number.

4.14 Validity of Entitlement and Acceptance Forms

An Entitlement and Acceptance Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus. By completing and lodging an Entitlement and Acceptance Form received with this Prospectus, the applicant represents and warrants that they have personally received a complete and unaltered copy of this Prospectus before completing the Entitlement and Acceptance Form.

The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe the applicant has not received a complete copy of the Prospectus or it has reason to believe that the Entitlement and Acceptance Form has been altered in any way.

4.15 Brokerage and Stamp Duty

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Securities under the Entitlement Offer.

4.16 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Prospectus or any Entitlement and Acceptance Form in any country outside Australia or New Zealand, except to beneficial holders of Shares in Australia or New Zealand, and beneficial holders of Shares who are institutional or professional investors in other countries that the Company has approved as being a country in which investors are eligible to participate, as well as any other country to the extent the Company may determine it is lawful and practical to make the Entitlement Offer.

4.17 Information Availability

Eligible Shareholders can obtain a copy of this Prospectus from the Company's website or by phoning the Share Registry on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (outside Australia) from 8.30am to 7.00pm (Melbourne time) Monday to Friday until the Closing Date. Contact details are provided in the Corporate Directory. Shareholders who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Entitlement and Acceptance Form attached to this Prospectus must be used within Australia. An Entitlement and Acceptance Form cannot be downloaded without also downloading this Prospectus.

4.18 Foreign Selling Restrictions

No action has been taken to register or qualify the New Shares or Options, the Entitlement Offer or this Prospectus in any jurisdiction outside Australia and New Zealand, or otherwise to permit a public offering of the New Securities outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who

come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each applicant warrants and represents that they:

- (a) are resident in Australia or New Zealand;
- (b) are located in Australia or New Zealand at the time of the Application and are not acting for the account or benefit of any person in the United States or any other foreign person; and
- (c) will not offer or sell the New Shares or Options in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from registration under the US Securities Act of 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the New Securities are offered and sold.

4.19 Eligible Shareholders

The Entitlement Offer is only open to Eligible Shareholders with registered addresses in Australia or New Zealand. This Prospectus does not constitute an offer to issue the New Securities in any place in which, or to any person to whom, it would not be lawful to make that offer.

The Company is of the view that it is unreasonable to make an offer to issue the New Securities under the Entitlement Offer to Ineligible Shareholders having regard to:

- (a) the number of Ineligible Shareholders outside of Australia and New Zealand to whom offers would otherwise be made, as a proportion of total Shareholders in the Company;
- (b) the number and value of the New Securities that would otherwise be offered for issue to Ineligible Shareholders; and
- (c) the cost of complying with the laws, and any requirements of any regulatory authority, of the overseas jurisdictions where the New Securities would otherwise be offered for issue.

5 PURPOSE AND EFFECT OF THE OFFERS

5.1 Purpose of the Offers

The Entitlement Offer (including the Shortfall Offer) will raise gross proceeds of up to \$3,257,407.80 before costs. The funds raised will be applied as described in Section 3.2. Any funds raised through the exercise of Options issued under this Prospectus will be directed to sales and marketing initiatives, and working capital.

5.2 Effect of the Offers

Placement

The Company expects to issue 33,333,333 New Shares under the Placement to raise gross proceeds of \$1.5 million. The offer of New Shares under the Placement is not being made under this Prospectus.

If all Placement Options are subscribed for under the Placement Option Offer, the Company will issue approximately 16,666,667 Placement Options under the Placement Option Offer (subject to rounding).

If all Placement Options issued under the Placement Option Offer are exercised, approximately 16,666,667 New Shares will be issued for total consideration of approximately \$1.167 million

Entitlement Offer

The Company expects that it will issue up to approximately 72,386,841 New Shares and 36,193,421 Entitlement Options under the Entitlement Offer (subject to rounding). This includes the New Securities which may be issued under the Shortfall Offer.

If the Entitlement Offer is fully subscribed and the Entitlement Options issued under the Entitlement Offer are exercised, an additional 36,193,421 New Shares will be issued for total consideration of approximately \$2.534 million.

5.3 Summary of effect on capital structure of the Company

The table in the 'Key Details of the Capital Raising' section (page 6) shows the capital structure of the Company as at the Prospectus Date and on completion of the Offers and the Placement (assuming no Shares are issued in the intervening period). It assumes all New Shares (and Entitlement Options) are issued under the Entitlement Offer, all New Shares are issued under the Placement and all Placement Options are issued under their respective Offers.

5.4 Effect on Shareholdings

The Placement will have the effect of diluting the percentage Shareholdings of Shareholders who do not participate in the Placement.

The Entitlement Offer will have the effect of diluting the percentage Shareholdings of Shareholders who do not participate in the Entitlement Offer (including under the Shortfall Facility). In particular:

- (a) Shareholders who do not take up their full pro rata entitlement under the Entitlement Offer will have their percentage Shareholding in the Company diluted following the issue of New Shares under the Entitlement Offer and the Placement and further diluted on the exercise of any Options;
- (b) Shareholders who take up their full pro rata entitlement under the Entitlement Offer will maintain their percentage Shareholding under the Entitlement Offer (which will be

further increased on the exercise of any Options by those Shareholders) but will be diluted as a result of the Placement;

- (c) Shareholders who take up their full pro rata entitlement under the Entitlement Offer and receive New Securities under the Shortfall Facility will increase their percentage Shareholding in the Company under the Entitlement Offer to the extent they receive additional New Shares under the Shortfall Facility (which will be further increased on the exercise of any Options by them) but will be diluted as a result of the Placement; and
- (d) the proportional Shareholdings of Shareholders who are not resident in Australia or New Zealand (Ineligible Shareholders) will be diluted by the Entitlement Offer and the Placement.

Examples on how the dilution may impact Shareholders is set out in the table below. The table assumes that the holders do not participate in the Placement or the Shortfall Facility and that no options are exercised after the Prospectus Date.

Holder	Record Date holding	% holding at Record Date	% holding as at 11 August 2023 assuming Placement Shares are issued	% holding on completion of the Offers (assuming Entitlement Offer is fully accepted by holder and fully subscribed)	% holding on completion of the Offers (assuming Entitlement Offer is not accepted by holder and fully subscribed)
1	10,000,000	6.09%	5.06%	5.33%	3.70%
2	5,000,000	3.04%	2.53%	2.67%	1.85%
3	1,000,000	0.61%	0.51%	0.53%	0.37%
4	250,000	0.15%	0.13%	0.13%	0.09%

5.5 Dilutive effect of the issue of Options under this Prospectus

Assuming all of the New Shares are issued under the Placement and Entitlement Offer, the Company will have on issue 270,038,302 Shares.

In the event that:

- (a) all of the Placement Options (only) are exercised, there would be a total of 286,704,968 Shares on issue and the dilution would be 5.81%; or
- (b) all of the Entitlement Options (only) are exercised, there would be a total of 306,231,721 Shares on issue and the dilution would be 11.82%; and
- (c) all of the Placement Options and Entitlement Options are exercised, there would be a total of 322,898,388 Shares on issue and the dilution would be 16.37%.

5.6 Effect of the Entitlement Offer and Placement on the control of Hydralyte North America

The Company has managed the Placement and Entitlement Offer such that it does not anticipate that the acquisition of New Shares by any Shareholder will result in any Shareholder

obtaining a relevant interest in 20% or more of the Company's Shares. The Company therefore does not expect that the Entitlement Offer and Placement will have any material effect on the control of the Company.

5.7 Potential control effects through the underwriting arrangements

The Entitlement Offer will be partially underwritten by the Lead Manager. The Placement will not be underwritten by the Lead Manager.

The Lead Manager does not currently have a relevant interest in the capital of the Company. Pursuant to the Offer Management and Underwriting Agreement with the Company, the Lead Manager will be required to subscribe or procure subscriptions for up to \$2.5 million worth of New Shares not taken up by Eligible Shareholders under the Entitlement Offer or the Shortfall Facility.

The Lead Manager has entered into sub-underwriting arrangements in respect of the New Shares the subject of its underwriting commitment and, accordingly, the Lead Manager does not expect to acquire an interest in New Shares unless a sub-underwriter defaults on its obligations.

If the Lead Manager is called upon to meet its partial underwriting commitment in respect of the Entitlement Offer (ie, if no Shareholder applies for New Shares and all of the sub-underwriters default on their sub-underwriting obligations), and assuming all of the New Shares are issued under the Placement, the Lead Manager will hold a relevant interest in approximately 21.8% of the Company's voting securities following completion of the Capital Raising.

Based on the above the Company does not anticipate the underwriting arrangements in connection with the Entitlement Offer will have a material impact on the control of the Company.

5.8 Substantial holdings

The table below sets out the Shareholders with a substantial Shareholding (ie 5% or more) as at the Prospectus Date.

Shareholder	% at Prospectus Date
Woobinda Nominees Pty Ltd (Mr Dan O'Brien)	9.13%
HSBC Custody Nominees (Australia) Limited	8.42%
Merrill Lynch (Australia) Nominees Australia Pty Ltd	7.52%
Super Radek Pty Ltd (Mr Radek Sali)	7.49%
Top 20 shareholders:	62.09%

None of the substantial holders will acquire a relevant interest in 20% or more of the Company's voting shares at any time as a result of the Offers.

6 FINANCIAL INFORMATION

6.1 Historical and pro forma consolidated balance sheet as at 31 December 2022

This Section contains a summary of the audited historical financial information for Hydralyte North America as at 31 December 2022 (**Historical Financial Information**) and a pro-forma historical statement of the financial position as at 31 December 2022 (**Pro Forma Historical Financial Information**) (collectively, **Financial Information**). The Financial Information has been prepared to illustrate the effect of the pro forma adjustments described in Section 6.3 below.

Consistent with the Company's financial reporting, all amounts are presented in United States dollars (which is the Company's functional and presentation currency). An AUD:USD exchange rate of 1:0.657 has been used.

	31 December 2022	Q1FY23 & Q2FY23 Appendix 4C	Adj.	Placement & Entitlement Offer	Pro-forma Statement (unaudited)
\$AUD	(audited)				
Current Assets					
Cash and cash equivalents	4,688,191	(2,948,758)	1,739,433	3,058,997	4,798,431
Trade and other receivables	1,306,397	476,495	1,782,892		1,782,892
Other current assets	4,395,958	(498,728)	3,897,230		3,897,230
Total Current Assets	10,390,546	(2,970,991)	7,419,555	3,058,997	10,478,553
Total Non-Current Assets	-	-	-	-	-
Total Assets	10,390,546	(2,970,991)	7,419,555	3,058,997	10,478,553
Current Liabilities					
Trade and other payables	2,326,070	825,501	3,151,571		3,151,571
Derivative Financial Instruments	349,470	64,963	414,433	(138,144)	276,289
Total Current Liabilities	2,675,540	890,464	3,566,004	(138,144)	3,427,859
Provisions	22,052	1,006	23,058		23,058
Borrowings	3,711,781	17,971	3,729,752		3,729,752
Total Non-Current Liabilities	3,733,833	18,977	3,752,810		3,752,810
Total Liabilities	6,409,373	909,441	7,318,814	(138,144)	7,180,669
Net Assets	3,981,173	(3,880,431)	100,742	3,197,142	3,297,883
Equity					
Issued capital	36,613,006	0	36,613,006	3,058,997	39,672,004
Reserves	2,343,950	(11,976)	2,331,974		2,331,974
Retained earnings accumulated losses	(34,975,783)	(3,868,455)	(38,844,238)		(38,844,238)
Total Equity	3,981,173	(3,880,431)	100,742	3,058,997	3,159,739

6.2 Basis of preparation of Financial Information

The stated basis of preparation for the Historical Financial Information is in accordance with the recognition and measurement principles of the Australian Accounting Standards.

The stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 6.3, as if those events or transactions had occurred as at 31 December 2022.

6.3 Pro-forma adjustments

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis of the following pro forma adjustments.

Capital Raising

The Pro Forma Historical Financial Information is prepared on the basis that the Capital Raising occurred in or around September 2023 and assumes an allotment of 105,720,173 New Shares at the Offer Price (on a fully subscribed basis) to raise gross proceeds of approximately AUD\$4.76 million and total costs of the Capital Raising of approximately AUD\$0.4 million.

Operating Losses since 31 December 2022

The Pro Forma Historical Financial Information is prepared on the basis that the quarterly net cash outflows for the periods ended 31 March 2023 and 30 June 2023 occurred as at 31 December 2022.

6.4 Financial forecasts

Given the nature of the Company's business and operations, the Directors do not consider that there is a reasonable basis to include forecast financial information in this Prospectus.

7 RISK FACTORS

7.1 Introduction

Eligible Shareholders should consider the specific and general risk factors described below, together with information contained elsewhere in this Prospectus and consult their professional advisers before deciding whether to apply for New Shares and/or Options pursuant to this Prospectus.

There are specific risks which relate directly to the Hydralyte North America's business and an investment in New Securities. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of its securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company Specific Risks

(a) Hydralyte North America is a small player in a competitive industry

Hydralyte North America operates in a highly competitive geographic and product market, particularly with regards to prices, shelf space and store placement, brand recognition and new product introductions.

The Company currently has a small share of the Healthy Hydration Solutions Market in North America and will need to boost its brand and product recognition in what is a highly competitive industry in order to grow its market share and meet its future growth objectives. Should any of Hydralyte North America's current or future competitors participate more aggressively on price, product, innovation or other means, or if Hydralyte North America is unable to attain its targeted level of brand and product recognition, this is likely to have a material adverse impact on the Company's future financial performance and prospects.

(b) Reliance on third party supply chain and risk of increased costs

Hydralyte North America relies on its supply chain to manufacture and distribute its products.

Hydralyte North America may experience disruptions and/or cost increases to its supply chain, including specific examples as follows.

The availability and price of the raw ingredients and packaging used in Hydralyte North America's products are influenced by global demand and supply factors outside of Hydralyte North America's control, such as the manufacturers' relationships with their suppliers, labour shortages or events such as natural disasters, power outages, disruptions to shipping routes or wars (such as the ongoing war in Ukraine). Any disruption in the supply of raw materials required to manufacture and package the Company's products may adversely affect the Company's ability to procure sufficient volumes of products to meet demand and may also lead to cost increases. Similar factors could also affect the distribution of Hydralyte North America's products, which may lead to increased costs, loss of margin or an inability to procure sufficient quantities of manufactured goods in a timely fashion to meet demand.

Hydralyte North America's relationships with its existing suppliers are not exclusive, and its suppliers also have relationships with third parties (including Hydralyte North America's competitors). If a third-party supplier ceases supplying products or services to Hydralyte North America in a timely manner and an alternative supplier is not readily available to produce identical products at similar cost levels, Hydralyte North America may not be able to source alternative products immediately or, if it can do so, it may be on less favourable terms. This could have an adverse impact on the Company's inventory levels, ability to meet current and

anticipated future consumer demand, and on the operating and financial performance of the Company.

Labour shortages or increased labour costs could have a material adverse effect on Hydralyte North America's business, financial condition and results of operations. Increased labour costs may arise as a result of increased competition for employees, higher employee turnover rates, unionisation of workers, increases in the federal, state or local minimum wage or other employee benefits costs (including costs associated with health insurance coverage in the United States). These will primarily be incurred by the Company's manufacturers or other third-party suppliers, but may be passed on to the Company and, in turn, may result in increases to the Company's operating expenses.

There is no guarantee that the Company will be able to pass on increased costs associated with the above factors to its customers (particularly if any costs increases are material). Hydralyte North America may be required to increase the prices of its products to pass on cost increases, which may affect the affordability of the Company's products and reduce sales. Furthermore, the ability and speed with which Hydralyte North America can respond to cost increases by adjusting the prices charged to its customers or sourcing more competitively priced materials may be limited and may result in lower margins on the sale of its products.

(c) Reliance on sales channels such as retailers and online distribution partners

Hydralyte North America distributes a significant number of its products to end consumers through various sales channels, including bricks and mortar retailers such as Shoppers Drug Mart and Walmart and online via Amazon's Marketplace. The Company depends on continued access to its sales channels in order to connect with its customers. There can be no guarantee that the Company's relationships with key channel partners will continue, or, if they do continue, that they will operate on the same terms and, in respect of retailers, that they will purchase the same, similar or greater quantities of Hydralyte North America's products as they have historically.

Further, due to the Company's lack of control over other retailers' processes, there is a risk that customers may have a negative purchasing experience of Hydralyte North America's products, or the products may not be displayed or marketed in line with the Company's preferences. This may reduce customer engagement with Hydralyte North America's brands and damage its reputation.

(d) Intellectual property risks

Hydralyte North America regards its brands, trademarks, domain names, trade secrets, propriety information and similar intellectual property (IP) as important to its success.

(i) Limited IP rights in products

Due to the nature of the Company's products, the breakdown of active ingredients and product recipes remains broadly consistent across all competitor products and is generally clearly signposted on a product's packaging. In addition, Hydralyte North America's product formulation is built on the WHO formulation for optimal absorption, which is publicly known information. Accordingly, there is limited scope for Healthy Hydration Solutions products, and Hydralyte's products in particular, to obtain IP protection for product formulations.

There is a risk that a competitor may release a similar or identical product to a Hydralyte North America product, against which the Company may have little or no recourse. Further, if a manufacturer ceases supplying products or services to Hydralyte North America, the Company may be unable to establish a replacement manufacturer who is capable of producing an identical product. This may result in some disruption to the Company's product range. Any of these events may have a material adverse effect on the Company's financial and operational performance.

(ii) Inability to protect Licensed IP and other IP

The Company's IP is at risk of unauthorised use or disclosure. While the Company holds registered trade marks for the Hydralyte brand in various jurisdictions, much of its other IP is not protected (or capable of being protected) through other forms of registered intellectual property rights (such as patent or design registrations). Where this IP is licensed from Care Pharmaceuticals, both the Company and Care Pharmaceuticals have responsibilities to protect unregistered intellectual property through confidentiality. For the rest of the Company's IP, the Company will be responsible for protecting its own intellectual property. To enforce its IP rights, the Company may have to commence expensive and time consuming legal proceedings against third parties who infringe its rights.

(e) **No contracts with customers**

Hydralyte North America generates its revenue from uncontracted customer relationships, using the Company's or the customer's standard terms and conditions and purchase orders and invoices. These supply arrangements, which are consistent with the typical terms of supply for participants in the FMCG industry, typically have no minimum volume requirements and can be varied or terminated by the customer on short notice (or no notice) and without penalty. The Company may be unable to maintain its uncontracted relationships on commercially viable terms, which could materially adversely affect its revenue and profitability.

(f) **Foreign exchange rate risk**

The Company's financial statements are presented in United States dollars, and the Company and its subsidiaries must translate its assets, liabilities, revenue and expenses into United States dollars for external reporting purposes. As a result, significant changes in the value of the United States dollar during a reporting period (in particular, any material depreciation against the Australian dollar or the Canadian dollar) may unpredictably and adversely impact the Company's operating results, asset and liability balances and cash flows.

(g) **Reliance on key personnel**

Hydralyte North America depends on the talent and experience of its personnel as an important asset. There may be a negative impact on Hydralyte North America if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.

Hydralyte North America's ability to attract and retain personnel will have a direct impact on its ability to deliver its project commitments. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

(h) **Risks associated with IT systems**

In addition to the sale of products via its sales channels, Hydralyte North America operates its own websites for direct purchases from and distribution to customers. Accordingly, the Company's websites, databases, IT, warehouse systems and management systems, and those of its key online sales channels and suppliers, are critically important to its success in attracting and retaining customers and maximising sales conversions from those customers.

Hydralyte North America relies on its disaster planning contingencies, and those of its suppliers and sales channels, in order to deal with events such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses, electronic theft, physical terminal theft, employee language programming errors, operating system failures, third party provider failures and similar disruptions which could result in loss or damage to data and other similar events. Any disruption, if sustained or regular, could lead to a disruption in business operations, which may have an adverse financial impact.

In particular, Hydralyte North America collects, processes and stores, through the ordinary course of its business, a wide range of customer data. Despite Hydralyte North America's best efforts to ensure the safe collection, storage and protection of customer data, there is a risk that a data breach may occur, or a third party may gain access to the confidential information of Hydralyte North America's customers or its internal systems. This could result in a breach of law by Hydralyte North America, or a breach of customer agreements, and may attract significant media attention and damage the Company's reputation and brand.

(i) **Brand or reputation damage**

Hydralyte North America's business is dependent on its reputation with customers and consumers, and its 'Hydralyte' branding is of significant value to the business. The reputation and value associated with 'Hydralyte' branding and related intellectual property could be adversely affected by a number of factors, including:

- quality issues with Hydralyte North America's products;
- failure or delay in supplying products;
- disputes or litigation with third parties, employees, suppliers or customers; or
- adverse media coverage (including social media) or publicity about Hydralyte North America's products or processes.

A material adverse impact to the reputation of Hydralyte North America or its brands could negatively affect public perception of Hydralyte North America, demand for its products, customer loyalty and reputation. This could have a material adverse impact on Hydralyte North America's financial and operating performance and future prospects.

(j) **Product liability and recalls**

As a retailer of products designed for human consumption, Hydralyte North America could be subject to product liability claims if the use of its products is alleged to have resulted in injury.

Hydralyte North America engages highly reputable manufacturers with quality control policies, and takes all reasonable precautions to ensure that its products are free from contamination or defects. However, events outside of Hydralyte North America's control could occur. In the event that contamination, mislabelling, misbranding or another such quality control issue occurs in respect of a Hydralyte North America product, this may lead to business interruption, product recalls or liabilities to customers.

(k) **Failure to effectively manage inventory**

Hydralyte North America may fail to accurately forecast or manage its inventory levels, including if the Company's inventory management system fails or provides inaccurate information. This may result in the Company incurring additional costs and losing revenue.

If Hydralyte North America manufactures excess product that it cannot sell in a timely manner, the excess product may need to be sold at a discount, otherwise the excess product may become obsolete and Hydralyte North America may be required to bear the costs of the surplus product and recognise inventory write-down costs. Alternatively, Hydralyte North America may experience disproportionate demand and supply for specific products, or 'out of stock' issues. This may result in lost sales, less than forecast margins and damage to the Company's reputation or brand, which may have a material adverse effect on the Company's financial and operational performance.

(l) **Changes in consumer trends and preferences**

Hydralyte North America's business is primarily focused on the sale of a range of liquid, tablet, powder and effervescent healthy hydration products, in the Healthy Hydration Solutions Market. This market is subject to continually evolving consumer trends, demands and preferences, including shifts in the beliefs, tastes and dietary habits of end consumers. If Hydralyte North America misjudges or fails to predict consumer preferences or fails to convert market trends into appealing product offerings on a timely basis, this may result in lower revenue and margins and could adversely impact Hydralyte North America's future financial performance.

(m) **Failure to execute growth plans**

There is a risk that Hydralyte North America may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel as outlined above may be a significant obstacle to growth.

(n) **No track record of profitability**

Hydralyte North America does not have a track record of profit and there is no guarantee that it will ever be profitable. If it does not achieve profitability it will be unable to pay dividends in the future and capital growth may be less likely.

(o) **Additional capital requirements**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its research and development and/or clinical trials as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

7.3 **General risks**

(a) **Economic conditions**

Hydralyte North America's performance will depend to a certain extent on a number of macro-economic factors outside its control which may impact the spending power and habits of its customers. These factors include, among other things, economic growth, unemployment rates, consumer confidence, taxation, inflation, interest rates and the availability and cost of credit. In addition, consumer spending may be affected by a range of factors including higher levels of inflation. Any significant or prolonged decrease in consumer spending could adversely affect the demand for the Company's products.

(b) **Share price fluctuation**

The Shares will trade on ASX at a price higher or lower than the Offer Price. The price at which the Shares trade will be affected by the financial performance of the Company and by external factors unrelated to the operating performance of the Company, including movements on international financial markets, the level of interest rates and exchange rates, general domestic and international economic conditions and government policies relating to taxation and other matters. There can also be no guarantee that there will be an active market in the Shares. There may be relatively few potential buyers or sellers of Shares on the ASX at any time.

All of the above factors may increase the volatility of the market price of the Shares.

(c) **Changes in laws and regulations**

The advertising, distribution, labelling, production, safety, sale, and transportation in North America of the Company's currently marketed products are subject to various United States and Canada regulations, state food and drug laws; state consumer protection laws; competition laws; various federal, state and local environmental protection laws; and various other federal, state, and local statutes and regulations. Changes to such laws and regulations could increase costs or reduce Hydralyte North America's net operating revenues. In addition, failure to comply with environmental, health or safety requirements and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of production, changes to equipment or processes, or a cessation of operations at the Company's manufacturers' facilities, as well as damage to Hydralyte North America's image and reputation, all of which could harm the Company's operating and financial prospects.

(d) **Tax risks**

There can be no certainty that the current taxation regime in the United States, Canada, Australia or in overseas jurisdictions within which the Company plans to operate in the future will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Company, which may have a material adverse effect on the Company's financial position.

(e) **Underwriting risk**

The Company has entered into the Offer Management and Underwriting Agreement with the Lead Manager, pursuant to which the Lead Manager has agreed to lead manage the Placement and Entitlement Offer and partially underwrite the Entitlement Offer, subject to the terms and conditions of the Offer Management and Underwriting Agreement.

Termination of the Offer Management and Underwriting Agreement would have an adverse impact on the amount of proceeds raised under the Offer. In these circumstances, the Company would need to source alternative funding to meet its capital needs, which could adversely affect its business and financial condition. There is no certainty that alternative funding could be obtained on satisfactory terms, or at all.

(f) **Litigation risk**

There is a risk that Hydralyte North America may in future be the subject of or required to commence litigation. There is, however, no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against the Company. If the Company was to become involved, whether as claimant or defendant, in significant litigation then liability for damages and/or legal costs could result that might have a material adverse effect on the Company's operations, financial performance and prospects.

(g) **Force majeure events may occur**

Events may occur that negatively impact the Company's financial performance, operations or the price of Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences. Climate change will furthermore increase the likelihood of events such as floods, droughts, fires, heatwaves and cyclones.

These events could impact Hydralyte North America by causing increased costs, closures, disruption to operations, lack of access, damage to warehouse or stock, impacts on supply and transportation of product, among other things. The Company has only a limited ability to insure against some of these risks.

8 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

8.1 Options

The Options to be issued under this Prospectus entitle the holder to subscribe for Shares on the following terms and conditions.

- (a) Each Option is exercisable at a price of \$0.07 each at any time from the date of issue of the Options up to their expiry on 31 December 2025 (inclusive) ("**Option Exercise Period**"), but not thereafter.
- (b) Each Option entitles the holder to subscribe for one Share. Any Shares issued as a result of exercising an Option will be issued on the same terms and rank in all respects on equal terms, with existing Shares.
- (c) The Options will not be quoted on the Australian Securities Exchange.
- (d) The Company must give or cause to be given to each Option holder a holding statement or confirmation notice stating:
 - (i) the number of Options issued to the Option holder;
 - (ii) the exercise price of the Options; and
 - (iii) the date of issue of the Options and the Option Exercise Period.
- (e) The Company will maintain a register of holders of Options in accordance with section 168(1)(b) of the *Corporations Act 2001* (Cth).
- (f) The Options are freely transferable, subject to registration of the transfer by the Company.
- (g) For such time as the Company is listed, the official listing rules of ASX (**Listing Rules**) will apply to the Options.
- (h) Options do not carry any dividend entitlement until they are exercised. Subject to the Constitution, Shares issued on exercise of Options will rank equally with all other issued Shares from the date they are issued by the Company.
- (i) An Option holder is not entitled to participate in any new issue of securities to existing shareholders of the Company (**Shareholders**) unless the Option holder has exercised its Options before the record date for determining entitlements to the new issue of securities and participates as a result of holding Shares.
- (j) If the Company is listed on ASX, the Company must give the Option holder, if required to do so by the Listing Rules, notice of:
 - (i) the proposed terms of the issue or offer proposed under paragraph (i); and
 - (ii) the right to exercise the Option holder's Options under paragraph (i).
- (k) If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for determining entitlements to the issue, in accordance with the Listing Rules.

- (l) If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Company may elect to reduce the exercise price of each Option in accordance with the Listing Rules.
- (m) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option holder (including the number of Options to which each Option holder is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (n) Any calculations or adjustments which are required to be made under these Option Terms of Issue will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option holder.
- (o) The Company must within a reasonable period give to each Option holder notice of any change under paragraphs (k) to (m) (inclusive) to the exercise price of any Options held by an Option holder or the number of Shares for which the Option holder is entitled to subscribe on exercise of the Options.
- (p) When exercising Options, an Option holder must give the Company or its share registry a Notice of Exercise of Options Form (in a form approved by the Company, with the parties acknowledging that the Notice of Exercise of Options Form may be delivered by the Option holder to the Company by email), together with payment of the exercise monies payable to the Company in connection with the Options being exercised and, if one was issued, the Option holder certificate.
- (q) The Options are exercisable on any day other than a Saturday, Sunday public holiday or any other day that ASX declares is not a business day (**Business Day**) during the Option Exercise Period.
- (r) An Option holder must only exercise a minimum of 50,000 Options, and thereafter in multiples of 10,000, unless an Option holder exercises all of its Options.
- (s) If an Option holder exercises less than the total number of its Options, the Company must issue the Option holder a new holding statement for the remaining number of Options held by the Option holder.
- (t) Options will be deemed to be exercised on the date that the Notice of Exercise of Option Form is received by the Company in accordance with paragraph (p) and (q). The Company shall within 10 Business Days after the receipt of such Notice and cleared funds, issue Shares in respect of the Options exercised and dispatch a holding statement to the holder in respect of the Shares so issued.
- (u) The Company will apply to ASX for official quotation of the Shares issued on exercise of the Options on the date of issue of such Shares.
- (v) If required by the Listing Rules to do so, the Company will advise an Option holder at least 20 Business Days before the impending expiry of their Options and will advise the due date for payment, the amount of money payable on exercise, the consequences of non-payment and such other details as the Listing Rules then prescribe, so as to enable holders to determine whether or not to exercise their Options during the Option Exercise Period.
- (w) These Option Terms of Issue and the rights and obligations of Option holders are governed by the laws of Victoria. Each Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria and the Federal Court

of Australia and any courts that may hear appeals from those courts about any proceedings in connection with these Options.

8.2 Shares

A summary of the key rights attaching to the Shares is set out below. The provisions of the Constitution relating to the rights attaching to the Shares must be read subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights, liabilities and restrictions attaching to the Shares.

(a) Escrow restrictions

In the event that ASX determines that certain Shares should be classified as 'restricted securities', a Shareholder must not dispose of those restricted securities (and the Company must refuse to acknowledge a disposal) during the applicable escrow period, except as permitted by the ASX Listing Rules. Shareholders who hold restricted securities are taken to have agreed that the restricted securities are kept on the Company's issuer sponsored sub-register and to have a holding lock applied for the duration of the escrow period. Shareholders will not be entitled to participate in any return of capital on restricted securities during the escrow period except as permitted by the ASX Listing Rules.

(b) Proportional takeover

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted by the Company or the date those rules were last renewed in accordance with the Corporations Act.

(c) Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). While the Company is listed on a stock exchange, a question must be decided on a poll if (amongst others) the notice of meeting contains details of the proposed resolution. If the votes are equal on a proposed resolution, the Chairman of the meeting has a casting vote, in addition to his or her deliberative vote.

(d) Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting. Meetings may be held at a physical venue, using virtual meeting technology, or a combination of both – provided that the Board determines it is reasonable to do so.

(e) Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and decide the method of payment.

(f) Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement

Operating Rules, *Corporations Regulations 2001* (Cth) and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the Corporations Act and ASX requirements. The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

(g) Issues of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

(h) Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

(i) Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of not less than \$500.

(j) Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

with the written consent of the holders of 75% of the shares of the class; or

by a special resolution passed at a separate meeting of the holders of shares of the class.

(k) Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or holder are, liable to be redeemed or converted into ordinary shares. The rights attaching to preference shares are those set out in the Constitution or have been otherwise approved by special resolution of the Company.

(l) Observation rights

Members of the Company with at least 5% of the votes that may be cast at a general meeting may request that an independent person be appointed to observe the conduct of a poll at a general meeting, or scrutinise the outcome of a poll at a general meeting.

(m) Directors

The Constitution contains provisions relating to the rotation of Directors.

(n) Application of ASX Listing Rules

If the ASX Listing Rules prohibit an act being done, then the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require a constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

(o) **Amendment of Constitution**

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

9 ADDITIONAL INFORMATION

9.1 PURE Asset Management Arrangements

As announced to ASX on 31 July 2023 and 3 August 2023, the Company and PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund (**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 (with its sub-underwriting commitments to be reduced by the amount of new Shares it takes up in the Entitlement Offer (if any)).

9.2 Litigation

As at the date of this Prospectus the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company which are likely to have a material adverse effect on the business or financial position of the Company.

9.3 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction-specific prospectus". In general terms a transaction-specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been provided to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report most recently lodged by the Company with ASIC, being the financial report for the year ending 31 December 2022;
 - (ii) if applicable, any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours by arrangement with the Company.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's most recent annual financial report (and before the lodgement of this Prospectus with ASIC) are set out in the table below.

Date	Description of Announcement
3 August 2023	Reinstatement to Quotation
3 August 2023	Proposed issue of securities - HPC
3 August 2023	Capital Raise Investor Presentation
3 August 2023	Placement and Entitlement Offer to raise up to \$4.8 million
2 August 2023	Suspension from Quotation
31 July 2023	Quarterly Activities Report and Appendix 4C
31 July 2023	Trading Halt
19 July 2023	June quarter sales accelerate to new record highs
30 June 2023	Record sales day on Amazon Canada
15 June 2023	Q2 FY2023 Trading Update
14 June 2023	Change in substantial holding
14 June 2023	Change of Director's Interest Notice
9 June 2023	Notification of cessation of securities
9 June 2023	Application for quotation of securities
9 June 2023	Issue of Shares
5 June 2023	Upcoming Release of Securities from Escrow
2 June 2023	Change of Director's Interest Notice
23 May 2023	2023 Annual General Meeting Recording
11 May 2023	Revised Appendix 4C

Date	Description of Announcement
5 May 2023	Amended Equity Incentive Plan
5 May 2023	Amended Constitution
5 May 2023	Results of 2023 Annual General Meeting
5 May 2023	AGM CEO Presentation
5 May 2023	AGM Chair Address
2 May 2023	Investor Presentation
28 April 2023	Q1 FY23 Quarterly Activities Report (App 4C)
14 April 2023	Q1 FY2023 Revenue Update
4 April 2023	Letter to Shareholders regarding Annual General Meeting
4 April 2023	Notice of Annual General Meeting
31 March 2023	Appendix 4G & Corporate Governance Statement

The announcements are also available through the Company's website www.hydralyte.com and www.asx.com.au.

9.4 Summary of key terms of Offer Management and Underwriting Agreement

The Lead Manager has agreed to lead manage the Placement and Entitlement Offer and partially underwrite the Entitlement Offer (up to a maximum of \$2.5 million worth of Shares) on the terms set out in the Offer Management and Underwriting Agreement between the Company and the Lead Manager dated 3 August 2023.

In consideration for its services to the Company, the Lead Manager will receive a fee of 6.0% of the cash proceeds raised under the Placement and the Entitlement Offer on settlement of each component of the Offer.

The obligations of the Lead Manager to partially underwrite the Entitlement Offer pursuant to the Offer Management and Underwriting Agreement are conditional on the satisfaction or waiver of standard conditions precedent, including:

- (a) delivery of certain deliverables relating to the due diligence process for the Offers; and
- (b) lodgement of various documents with ASX in accordance with the Timetable; and
- (c) settlement of the Placement and quotation of the Placement Shares in accordance with the Timetable.

The obligations of the Lead Manager to partially underwrite the Entitlement Offer are also subject to certain events of termination. The Lead Manager may terminate its obligations under the Offer Management and Underwriting Agreement by notice to the Company, at any time before the Settlement Date, where:

- (a) the cleansing notice to be issued in connection with the Placement is defective;
- (b) a certificate required to be furnished under the Offer Management and Underwriting Agreement is untrue, incorrect or misleading in any material respect;
- (c) quotation of the Placement Shares is not granted in accordance with the Timetable;
- (d) the Company withdraws the Capital Raising or the Prospectus;

- (e) any circumstance arises which requires the Company to repay application money received from applicants or offering applications an opportunity to withdraw their application money;
- (f) any person (other than the Lead Manager) withdraws their consent to the issue of the Prospectus or the inclusion of their name in the Prospectus;
- (g) the Company is required to lodge a supplementary prospectus in accordance with section 719 of the Corporations Act;
- (h) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Capital Raising or any of the Capital Raising materials or ASIC commences, or gives notice of an intention to hold, any investigation or hearing under Part 3 of the ASIC Act in relation to the Capital Raising or any of the Capital Raising materials or prosecutes or commences proceedings against, or gives notice of an intention to prosecute or commence proceedings against, the Company;
- (i) the Company is or will be prevented from conducting or completing the Offer by ASIC, ASX or in accordance with the Listing Rules, any applicable laws or an order of a court of competent jurisdiction;
- (j) an event of insolvency occurs;
- (k) the ASX/S&P Small Ordinaries Index falls to a level that is 12.5% or more below its level at market close on the business day immediately preceding the Prospectus Date and is at or below that level:
 - (i) at the close of trading for 2 consecutive business days during any time after the Prospectus Date until the Entitlement Offer Settlement Date; or
 - (ii) on the business day immediately prior to the Entitlement Offer Settlement Date;
- (l) a statement contained in the Capital Raising materials is false, misleading or deceptive in any material respect (including by omission);
- (m) the Company withdraws any of the Capital Raising materials;
- (n) the Company defaults in the performance of its obligations under the Offer Management and Underwriting Agreement;
- (o) a certificate which is required to be furnished by the Company under the Offer Management and Underwriting Agreement is not furnished when required;
- (p) a representation or warranty on the part of the Company is not true or correct;
- (q) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company Group from the circumstances existing as at the date of the Offer Management and Underwriting Agreement;
- (r) the Company contravenes the Corporations Act, its Constitution or the Listing Rules;
- (s) any event specified in the Timetable is delayed for more than 3 business days without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed);
- (t) the Company varies its capital structure or a term of its Constitution before completion of the Capital Raising without the prior written consent of the Lead Manager (otherwise than permitted under the Offer Management and Underwriting Agreement);

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- (u) a government agency commences any public action against a Director in his or her capacity as a Director or publicly announces that it intends to take any such action;
 - (v) either of the following occurs:
 - (i) a general moratorium on commercial banking activities in Australia, New Zealand, the United States of America or Japan is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (ii) trading in all securities quoted or listed on ASX, or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
 - (w) major hostilities not existing at the Prospectus Date commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, New Zealand, or Japan or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.

The events set out in clauses (l) to (w) above (inclusive) do not entitle the Lead Manager to exercise its termination right unless it believes, on reasonable grounds, that the event is likely to have a materially adverse effect on the outcome or success of the Capital Raising, or is reasonably likely to give rise to liability for the Lead Manager under the Corporations Act or any applicable laws.

The Company agrees to indemnify and hold harmless the Lead Manager, its related bodies corporate and their affiliates, officers, directors, employees, agents and advisers (each an **Indemnified Party**), against any loss arising directly or indirectly from a breach by the Company of the Offer Management and Underwriting Agreement or applicable law. These indemnities do not apply to any loss suffered by an Indemnified Party to the extent that the loss results from the recklessness, wilful misconduct, gross negligence or breach of the Offer Management and Underwriting Agreement by the Lead Manager or its Indemnified Parties.

The Company and the Lead Manager have also given certain representations, warranties and undertakings.

The Offer Management and Underwriting Agreement is governed by the laws of Victoria.

9.5 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgment of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
- (i) the formation or promotion of the Company; or
 - (ii) the Offer.

9.6 Security holdings of Directors

The relevant interest of each of the Directors in the Company's securities as at the date of this Prospectus, is set out in the table below.

Director	Shares	Options
George Livery	326,104	71,429
Gretta van Riel	40,000	53,571
Adem Karafili	1,560,417	1,974,739
Margaret Hardin	39,130	53,571

9.7 Remuneration of Directors

Please refer to the Remuneration Report, which is contained in the Company's Audited Financial Report for the financial year ending 31 March 2023 for full details of the remuneration of the Company's executive and non-executive Directors.

The Audited Financial Report was lodged with ASX on 31 March 2023 and is available on the Company's website at www.hydralyte.com and at www.asx.com.au. A hard copy of the Audited Financial Report is also available free of charge by contacting the Company using the details in the Corporate Directory.

9.8 Director sub-underwriting of the Entitlement Offer

Each of the following Directors (or nominees) have committed to the Lead Manager to sub-underwrite New Shares in the Entitlement Offer in the amounts set out below:

- George Livery, in respect of \$25,000 worth of New Shares (555,555 New Shares and 277,778 Entitlement Options);
- Adem Karafili, in respect of \$45,000 worth of New Shares (1,000,000 New Shares and 500,000 Entitlement Options); and
- Margaret Hardin, in respect of \$15,000 worth of New Shares (333,333 New Shares and 166,667 Entitlement Options).

For every New Share subscribed for by each of the Directors in respect of their entitlement under the Entitlement Offer (if any), their sub-underwriting commitment reduces by one Share.

New Shares will first be allocated to participants in the Shortfall Facility before any New Shares are allocated to sub-underwriters.

No Director is being paid any sub-underwriting fee in respect of their sub-underwriting commitments.

No Director has a right to terminate his or her sub-underwriting commitment. The sub-underwriting commitment of a Director will only lapse if:

- the Entitlement Offer does not proceed or is withdrawn;
- the Offer Management and Underwriting Agreement is terminated in accordance with its terms; or
- the sub-underwriter breaches its sub-underwriting commitment and the Lead Manager gives notice of termination.

9.9 Interests of promoters, experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds at the date of this Prospectus, or has held within the 2 years preceding lodgment of this Prospectus with ASIC, any interest in:

- (c) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Entitlement Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (e) the formation or promotion of the Company; or
- (f) the Entitlement Offer.

9.10 Interests of advisers

The Company has engaged the following professional advisers in relation to the Entitlement Offer and Placement.

Adviser	Role	Fees (excluding taxes and disbursements) ¹
BW Equities Pty Ltd	Lead Manager to the Entitlement Offer and Placement and Underwriter of the Entitlement Offer	See Section 9.4
Becketts Lawyers Pty Ltd	Australian legal adviser to the Company in relation to the Entitlement Offer and Placement (excluding in relation to taxation and stamp duty matters).	\$55,000

¹ The Company has paid, or agreed to pay these amounts to its advisers up until the Prospectus Date. Further amounts may be paid for other work in accordance with the normal time-based charges of its advisers.

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In addition, each of BW Equities Pty Ltd and Becketts Lawyers acted as lead manager and Australian legal adviser (respectively) on the Company's initial public offering in December 2021 and each of them earned fees acting in those capacities (refer to the Company's prospectus dated 3 November 2021 and available at www.asx.com.au for further details):

9.11 Costs of the Entitlement Offer and Placement

The table below sets out the total estimated cash costs of the Entitlement Offer and Placement (including the Extraordinary General Meeting).

Item of expenditure	Cost (excluding taxes)
Lead Manager fees	\$300,000
Legal fees	\$55,000
ASX and ASIC fees	\$20,000
Share registry services, printing, postage and other	\$25,000
Total	\$400,000

9.12 Consents

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgment of this Prospectus with ASIC, had not been withdrawn by the following parties:

- (a) BW Equities Pty Ltd has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Lead Manager and Underwriter in the form and context in which it is named;
- (b) Becketts Lawyers Pty Ltd has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to the Company (excluding in relation to taxation and stamp duty) in relation to the Capital Raising in the form and context in which it is named; and
- (c) Automic Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as the Share Registry in the form and context in which it is named. Automic Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Automic Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above has not authorised or caused the issue of this Prospectus, does not make any offer of Shares or Options, subject to the law, and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above.

9.13 Governing law

This Prospectus, the Entitlement Offer and the contracts formed on acceptance of Applications under the Offers are governed by the laws applicable in Victoria, Australia. Each applicant for New Securities submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

9.14 Directors' authorisation

This Prospectus is authorised by each Director, who has given and not withdrawn their consent to the issue of this Prospectus and to its lodgment with ASIC.

Signed for and on behalf of The Hydration Pharmaceuticals Company by being signed by a Director in accordance with section 351 of the Corporations Act.



George Livery
Chairman
The Hydration Pharmaceuticals Company Limited

\$ means the lawful currency of the Commonwealth of Australia.

Additional New Securities means New Securities subscribed for by Eligible Shareholders in excess of their Entitlement under the Entitlement Offer, under the Shortfall Facility.

Application means an application for New Shares or Options made under this Prospectus.

Application Money means the application monies paid (or to be paid) by Eligible Shareholders for New Shares under the Entitlement Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires.

ASX Listing Rules means the listing rules of the ASX.

Board means the Board of Directors of the Company unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except public holidays and any other day that ASX declares is not a business day.

Capital Raising means the Placement and the Entitlement Offer.

Closing Date means 4 September 2023 (unless extended).

Company means The Hydration Pharmaceuticals Company Limited ACN 620 385 677.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

EFT means electronic funds transfer.

Eligible Shareholders means registered holders of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement means an Eligible Shareholder's entitlement to subscribe for one New Share for every 2.27 Shares held on the Record Date, together with one free attaching Entitlement Option for every two New Shares issued.

Entitlement and Acceptance Form means an Eligible Shareholder's personalised 'Entitlement and Acceptance Form' accompanying this Prospectus.

Entitlement Offer means the non-renounceable pro rata rights issue of New Shares and Entitlement Options to Eligible Shareholders made under this Prospectus.

Entitlement Option means an option to acquire one ordinary share in the Company pursuant to the terms and conditions set out under this Prospectus, to be issued for nil consideration on the basis of one Entitlement Option issued for every two New Shares issued under the Entitlement Offer.

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Extraordinary General Meeting means the general meeting of Shareholders to be held on or around 13 September 2021 to consider the resolutions required to approve the Placement Option Offer.

Financial Information means the Pro Forma Historical Financial Information contained in Section 6.

HIN means Holder Identification Number.

Ineligible Shareholder means a Shareholder that is not an Eligible Shareholder.

Institutional Investors means an investor who, if located in Australia, is a professional, experienced or sophisticated investor as defined in sections 708(8), (10) and (11) of the Corporations Act and if located in any other jurisdiction, is entitled to participate in the relevant Offer pursuant to the laws of the jurisdiction in which they are located and to whom New Shares and Options can lawfully be offered and issued without registration, lodgement or other formality.

Lead Manager means BW Equities Pty Ltd.

New Securities means collectively, New Shares and Entitlement Options offered under this Prospectus.

New Share means a Share issued under the Entitlement Offer (or, as the context requires, the Placement).

Offer Management and Underwriting Agreement means the Offer Management and Underwriting Agreement between the Company and the Lead Manager as described at Section 9.4.

Offer Price means \$0.045 per Share.

Offers means the Entitlement Offer, the Shortfall Offer and the Placement Option Offer.

Offer Closing Date means the closing date of the Offers, being 4 September 2023 (unless extended).

Offer Opening Dates means the opening date of the Offers, being 14 August 2023.

Offer Website means the website through which Eligible Shareholders may access the Prospectus and their personalised Entitlement and Acceptance Form, and apply for New Securities under the Entitlement Offer, with the following address: <https://investor.automic.com.au/#/home>.

Option means an option to acquire one Share in the Company pursuant to the terms and conditions of issue as set out in Section 8.1.

Placement means the placement of New Shares to Institutional Investors as described at Section 3.1(d).

Placement Options means the Options being offered to Placement Subscribers under this Prospectus pursuant to the Placement Option Offer.

Placement Option Offer has the meaning given in Section 3.1(f) and is more fully described in Section 3.4.

Placement Subscribers means Institutional Investors who have been issued New Shares in the Placement.

Pro Forma Historical Financial Information means the pro-forma historical statement of the financial position of the Company contained in Section 6.

Prospectus means this prospectus dated 4 August 2023 (including any supplementary or replacement prospectus).

Record Date means 7.00pm (Melbourne time) on 9 August 2023.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share in the Company.

Shareholding means a Shareholder's holding of Shares.

Share Registry means Automic Pty Ltd.

Shortfall Facility means the facility described in Section 4.7 under which Eligible Shareholders may apply for Additional New Securities in excess of their Entitlement.

Shortfall Offer has the meaning given in Section 3.7.

Shortfall Security means New Securities not subscribed for under the Entitlement Offer.

SRN means Security Reference Number.