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FY2023 Annual Report

Chairman's letter:

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Hydration Pharmaceuticals Company Limited's annual report and financial statements for the 12-month period ended 31 December 2023 ("FY2023").

The last 12 months have marked an important period of transition for the business, highlighted by the conversion of its strategic brand awareness and customer acquisition initiatives into an established market position in North America, with a resulting focus on margin growth and operational efficiencies.

Management's committed effort to expand brand awareness through targeted marketing campaigns in the previous financial year was well-rewarded in FY2023, as the group posted several new record highs in quarterly sales and finished the year with a 10% increase in annual revenues to more than US$10m.

The Company also absorbed a once-off impact from inventory shortages in the December quarter, owing to high demand combined with supplier delays. Adjusted for this one-off impact, the FY2023 growth rate for group revenues would have increased to 20%, which is more reflective of the Company's achievements during the period. As at the date of this report, inventory levels have now been fully restocked to meet ongoing demand.

Pleasingly, this sales momentum was achieved alongside the implementation of several significant cost management targets. Delivery on these initiatives was evidenced by particularly strong execution of the Company's stated priority to reduce per-unit marketing costs, which flowed through to a 41% annual reduction in net cash used in operating activities.

Alongside a material decrease in cash outflows, the Company took additional steps to accelerate the transition from a strategic focus on brand awareness to operational efficiencies through economies of scale. As a result of those efforts, Hydralyte North America concluded the financial year with record-high gross margins and an expanded distribution footprint in Canada through its new broker partner, LeBeau Excel.

Despite these positive trends, the Board has taken the view that the Company will require significant additional capital to pursue its growth strategy in the North American market for hydration products. In the current market environment, the Board has deemed that ongoing capital raises would be insufficient and not in the best interest of shareholders. To this end, the Company is considering a number of options including a change-of-control transaction or asset divestment.

The Company has since engaged New York-based advisors Two Roads Capital to assist with a potential sale and is confident that any divestments or change of control scenarios will unlock value for shareholders.

In the interim, the Company has entered into a variation of its existing facility with Pure Asset Management which will advance an additional A$1.7m in loan funding, which is subject to the

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requirement of a waiver of ASX Listing Rule 10.1 in order to amend the original Pure agreement, to allow the Company to meet its near-term commitments.

While the Board acknowledges its disappointment in being unable to secure alternative funding such as an equity capital raise in difficult market conditions, we reiterate the view that a sale of the business or divestment of assets offers the best opportunity to obtain maximum for shareholders at this time. As at the date of this report, discussions with several counterparties for a potential sale are well-advanced.

I would like to take this opportunity to thank our shareholders for their ongoing support of the Company over the past 12 months in what have proved to be challenging market conditions. The Board remains committed to overseeing the sale of the Company or divestment of assets and will provide further updates as negotiations progress over the coming weeks.

Mr George Livery
Chairman

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CEO report:

Dear shareholders,

The FY2023 was a period of significant change in the business with a focus on cost reduction, gross margin improvements, stockkeeping unit ("SKU") consolidation and profitable growth. The Board and management attacked each of these focus areas to significantly improve the Company's financial profile.

Cost reduction:
Significant reduction in costs base following strategic overview of Company operations to streamline operations, resulting in nearly US$1m in non-growth based expenses removed from the business.

Gross Margin:
The Company finished the year with a record gross margin in Q4 with year-on-year increases from 52% in FY2022 to 54% in FY2023. The company delivered a 15% increase in gross profit to US$5.4m, up from US$4.7m in FY2022.

SKU consolidation:
Company discontinued, prioritised and deleted from retail surplus non-core, low margin SKUs allowing for a higher return on reduced advertising spend and less cash allocated to bottom of tail inventory.

Profitable Growth:
10% increase in annual revenues to US$10.041m was particularly pleasing given it was achieved with a US$2.4m reduction in marketing spend. Marketing costs as a percentage of sales decrease to 39%, down significantly from 74% in FY2022.

Alongside the material decrease in marketing spend, the Company also prioritised supply chain efficiencies moving a critical area of product production into Canada to avoid costly airfreight and shipping delays.

The Company also transitioned to a larger scale, retail sales broker in Canada, LeBeau Excel, boasting more sales representatives on the ground servicing not only conventional mass retail, but premium grocery and independent health food stores.

Given market conditions for smaller, ASX-listed FMCG focused companies and the cost of raising additional capital, I share the Board's view that the pursuit of a sale or divestment of assets is the best way to generate maximum value for shareholders at this juncture.

I would like to take this opportunity to thank our staff, distribution partners, customers and loyal shareholders for their ongoing support of our efforts.

Mr Oliver Baker
Chief Executive Officer

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Review of Operations:

Leading hydration solutions company, The Hydration Pharmaceuticals Company Limited (ASX: HPC) ("The Company" or "Hydralyte North America") is pleased to provide the following review of operations and financial overview for the 12-month period ended 31 December 2023 ("FY2023").

The Company is focused on the sale and distribution of Hydralyte, a well-known brand developed in Australian in 2001, which includes a product range of electrolyte rich tablets, liquids and powders. Hydralyte North America was formed in 2014 and subsequently listed on the Australian Securities Exchange in 2021. The Company is focused on rapidly growing its sales footprint in large markets including the US, Canada, China and the UK amongst others.

Transition to new sales broker

During the period, the Company made the strategic decision to appoint LeBeau Excel ("LeBeau") as its new sales broker in Canada. LeBeau is a leading health and wellness products broker with a major footprint in the Canadian market. Strategically, the agreement allows the Company the ability to significantly expand its addressable market across Canadian bricks & mortar retail channels, broadening its scope from pharmacy and grocery to include store chains in the health & wellness sector such as Whole Foods.

Headquartered in Toronto, LeBeau has a national sales footprint with a dedicated field team of over 15 full-time sales staff visiting stores every day. LeBeau representatives maintain strong relationships with major natural health distributors in Canada and serve an extensive client base of the major retailers including Wholefoods and all major existing Hydralyte North America accounts such as Walmart Canada. The agreement complements Hydralyte North America's existing distribution footprint in Canada, which includes Shopper's Drug Mart – one of the largest pharmacy network in the country with 1,300 stores nationally.

Amazon subscription growth

The Company reported consistent growth in subscriber numbers for Hydralyte North America on the Amazon platform throughout the financial year. During the September quarter, Amazon Canada subscribers grew from zero to 1,241 while YoY subscription growth for Amazon USA rose by 4% to 4,180 subscribers at end of Q3 FY23, despite a heavy reduction in advertising spend.

Streamlined Canadian manufacturing

In Q2 FY23, the Company began manufacturing powder sticks at its new Canadian-based contract manufacturer for the Canadian market. This is viewed as a strategic priority and optimises HPC's manufacturing process from a North American facility, allowing the Company to capitalise on its existing North American distribution channels. Following the manufacturing change, the Company observed a reduction in costs of goods sold, cheaper freights and an increase gross margin on the powder stick range.

Appointment of Company Secretary:

During the period, Hydralyte North America announced the appointment of Victoria Nadalin as Company Secretary. Victoria is a practising corporate and commercial lawyer and is completing a

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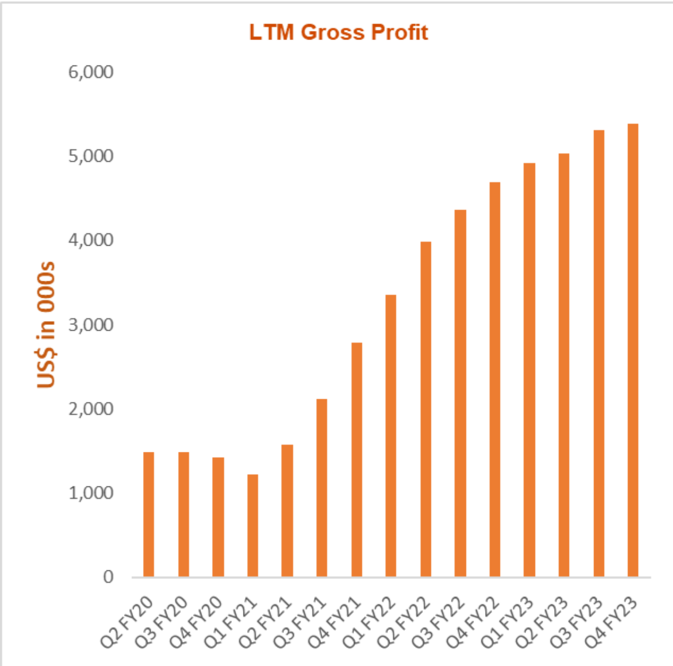
Graduate Diploma in Applied Corporate Governance and Risk Management with the Governance Institute of Australia.

Financial overview:

Summary FY2023 financial results:

Hydralyte North America delivered revenues of US$10.04m during FY2023, marking a 10% increase on the previous corresponding period (PCP) (FY2022: US$9.1m). Revenue growth was attributed to consistent traction across the Company's extensive physical store network in Canada, alongside ongoing subscription growth on Amazon (both US and Canada channels).

FY2023 gross margin improved by two percentage points, from 52% in FY2022 to 54%. The consistent annual uptrend in gross margin for the period reflects the Company's targeted strategy to reduce per-unit marketing costs and focus its sales and distribution efforts on higher-margin SKUs, alongside initiatives to reduce Amazon packaging costs and further optimise manufacturing processes.



Commencing in the March quarter of the 2023 financial year, the Company executed on its stated strategy to materially reduce marketing costs across its operations in the US and Canada, for both physical store networks and ecommerce channels.

Marketing costs as a percentage of net revenue declined for three straight quarters to 30% in the September quarter – the lowest level since IPO. On an annual basis, marketing as a percentage of sales decreased to 39%, down from 74% in FY22.

In dollar terms, the Company generated cost savings of US$2.4m in sales and marketing expenses compared to the previous financial year. Marketing as a percentage of sales decreased to 39%, down from 74% in FY22. Concurrently, net cash used in operating activities was reduced by 41%, to US$5.7m.

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Adjusted EBITDA was also materially impacted by non-cash costs related to share based compensation and interest related to its A$12m two-tranche secured loan facility with PURE Asset Management. In addition to the loan facility, the Company issued warrants related to the facility for which there was a fair value gain during the year. After adjusting for these items, Hydralyte calculates an underlying loss for the year at US$6.6m, opposed to US$8.1m prior to the calculation.

Following is a summary of adjusting items impacting the unaudited Consolidated Statement of Profit or Loss:

Loss for the Year			**$8,102,378**	
Adjusting Items:				
Share Based Payments Expense	$	(1,116,855)		non-cash
Interest/Amortisation	$	(654,238)		
FV Movement of Derivative	$	285,933		non-cash
FX gain/loss	$	(3,532)		non-cash
Total Adjustments			($1,488,693)	
Adjusted EBITDA Loss			**$6,613,685**	

Placement and Entitlement Offer:

During the period, the Company announced it had received firm commitments to raise A$1.5m (before costs) through the issue of 33.33 million new fully paid ordinary shares via a share placement to new and existing professional and sophisticated investors at an issue price of A$0.045 per share ('Placement'). The Company also announced a non-renounceable, partially underwritten Entitlement Offer to raise up to an additional A$3.3m at an offer price of A$0.045 per share.

The Company received applications under the Entitlement Offer for 4,335,332 New Shares, to raise ~A$0.2 million (before costs). Eligible shareholders who applied for additional New Shares (in excess of their entitlement) under the Entitlement Offer were allocated 100% of those New Shares. This resulted in a shortfall of approximately 68.1 million New Shares. Approximately 55.55 million of the Shortfall Shares were subscribed for by sophisticated and professional investors in their capacity as sub-underwriters of the Entitlement Offer, to raise approximately A$2.5 million. The sub-underwriters included a number of existing institutional and professional shareholders.

Following allotment of the Shortfall Shares, the Company raised a total of ~A$2.7 million (before costs) as a result of the Entitlement Offer. The completion of the Entitlement Offer followed the successful placement to raise A$1.5 million (before costs).

The Company also raised a further ~A$0.4 million via the exercise of Warrants by Pure Asset Management, in connection with the first tranche of its senior secured debt. The total proceeds of the Entitlement Offer, Placement and exercise of Warrants were approximately A$4.6 million (before costs).

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Subsequent Events and Amended PURE Asset Management Agreement:

Subsequent to the end of the period, on 27 March 2024, the Company has signed a variation to its facility agreement with existing substantial shareholder PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund ("PURE" or PURE Asset Management) as previously announced to the market on 17 October 2022 (Original PURE Facility).

Under the terms of the variation (Amended PURE Facility), Hydralyte has secured A$1.7m in new funding, subject to the requirement of a waiver of ASX Listing Rule 10.1 in order to amend the Original PURE Facility. The Amended PURE Facility also includes two additional tranches, valued at A$1.5m each, which can be accessed at the discretion of PURE Asset Management. The Company notes that a condition precedent to the Amended PURE Facility becoming effective, and thus access to the $1.7m of funding under the Amended PURE Facility, is the requirement of a waiver of ASX Listing Rule 10.1. The Company will submit a waiver application to the ASX on or shortly after the date of this announcement in order to apply for the required waiver. The Company cautions that there is no certainty that this requirement will be met, in which case the Amended PURE Facility will not take effect and the funding will not become available.

The Company intends to use the funding available under the Amended PURE Facility to progress a Sale Transaction.

While the Company advances opportunities associated with a Sale Transaction, it will continue to operate in the ordinary course of business. As at the date of this filing, the Company has approximately $1.2M of cash on hand as at 27 March 2024. The Company also has sufficient inventory on hand to satisfy retail demand and remains actively engaged with existing and potential new stockists. The Board and management are continuing to review additional cost reductions measures, which will allow the Company to prolong its existing cash balance.

A detailed summary of the terms of the Amended PURE Facility and the 'Second Warrant Deed' entered into between the Company and PURE is provided in the notes to the financials and the corresponding release dated 27 March 2024.

The attached financial report for the year ended 31 December 2023 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 1 in the financial report, together with the auditor's report.

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The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Consolidated Financial Statements

For the Year Ended 31 December 2023

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

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For the Year Ended 31 December 2023

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Directors' Report
31 December 2023

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the financial year ended 31 December 2023.

Directors

The names of each person who has been a director during the year and up to the date of this report are:

Adem Karafili	
George Livery	Chair
Margaret Hardin	
Gretta van Riel	Resignation announced 28 August 2023, Effective from 26 September 2023

Directors have been in office since the start of the financial year and up to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year were wholesale suppliers and online retailers of Hydralyte products in North America. The Group owns distribution rights to Hydralyte for the world outside of Australia, New Zealand, Asia (excluding China, which includes Hong Kong but excludes Taiwan), Africa and the Middle East (excluding Turkey). The Group, however, is largely focused on the US and Canada.

No significant change in the nature of these activities occurred during the year.

Operating results

The consolidated loss of the Group amounted to $8,102,378 (2022: loss of $10,607,166).

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of operations

Hydralyte North America is a consumer products company that markets and sells a range of liquid, tablet and powder Healthy Hydration Solutions products into the North American markets of Canada and the United States, under the Hydralyte brand.

Hydralyte North America collates and translates consumer insights and needs into developing and delivering quality hydration products to market. The Company's business model is an asset light, flexible production model that allows it to outsource manufacturing and packaging to appropriate suppliers. The Company uses trusted leading manufacturing partners with the necessary certifications and expertise to produce high quality hydration products that can be distributed to retailers and, ultimately, end customers.

A review of the operations of the Group during the financial year and the results of those operations show year on year Gross Profit growth while decreasing marketing spend as a percentage of Sales.

Significant changes in state of affairs

During the year, the Company raised A$1.5m (before costs) through the issue of 33.33m new fully paid ordinary shares to new and existing professional, institutional and sophisticated investors at an issue price of $0.045 per share. In conjunction with the placement, the Company also completed a pro rata non-renounceable entitlement offer of one fully paid share for every 2.27 shares held by eligible shareholders on the record date of 9 August 2023 at the same issue price as the placement raising an additional A$2.7m (before costs).

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Events after the reporting date

Subsequent to the end of the financial year, on 27 March 2024, the Group has signed a variation to its facility agreement with existing substantial shareholder PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund ("PURE" or PURE Asset Management) as previously announced to the market on 17 October 2022 (Original PURE Facility).

Under the terms of the variation (Amended PURE Facility), Hydralyte has secured A$1.7m in new funding, subject to the requirement of a waiver of ASX Listing Rule 10.1 in order to amend the Original PURE Facility. The Amended PURE Facility also includes two additional tranches, valued at A$1.5m each, which can be accessed at the discretion of PURE Asset Management. The Group notes that a condition precedent to the Amended PURE Facility becoming effective, and thus access to the A$1.7m of funding under the Amended PURE Facility, is the requirement of a waiver of ASX Listing Rule 10.1. The Group will submit a waiver application to the ASX on or shortly after the signing date of these financial statements in order to apply for the required waiver. The Group cautions that there is no certainty that this requirement will be met, in which case the Amended PURE Facility will not take effect and the funding will not become available. Refer to note 23 of the financial statements for further details.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

The directors expect that the Group will continue to carry out its principal activities as detailed above. Further information on going concern is outlined in note 1.

In addition to the arrangements with Pure Asset Management described above, the Board is currently considering a range of strategic transactions to seek to strengthen the Company's financial position and performance. The strategic transactions include potential change of control transactions and/or asset divestments.

To this end, Two Roads Advisors, a New York-based corporate advisor and investment bank, was appointed in FY23 in order to engage with potential investors and acquirers.

The Board intends to continue engaging with potential investors or counterparties to seek to agree a strategic transaction or transactions for the benefit of shareholders.

The Board cautions that, despite the best efforts of the Company, there is no certainty that any strategic transaction will eventuate.

The Company will update the market as to the progress of any strategic transaction as and when required by the Listing Rules.

There are no other known or likely developments which the directors foresee that they wish to disclose at this time.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Information on directors

The following information is current as at the date of this report.

Adem Karafili	Adem is the Chairman and founder of ANGL Korp, his investment vehicle for both ventures and investments. In his previous career, Adem was a highly effective executive across a range of sectors and industries, having spent seven years establishing Swisse Wellness as the leading global health and wellness brand before it’s sale to Biostime International for over $1.7 billion. While at Swisse, Adem held senior positions of Chief Financial Officer, Chief Operating Officer and Managing Director. Adem is a CPA, having studied a Bachelor of Business Administration (B.B.A.) - Accounting.

Directors' Report

31 December 2023

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Information on directors (continued)

George Livery (Chair)

George has enjoyed senior executive roles across numerous industries for the last 30 years, both domestically and internationally. A C-level executive for the last 25 years, George's career has included CEO of Village Cinemas Australia, COO of Village International, Commercial Director at Hoyts Ltd, Director of Operations (Non-Academic Services) at University of Sydney's USU, both Commercial Director at Swisse Vitamins and Director of Strategy & Corporate at Swisse Wellness Group. George also led the corporate integration of Swisse Wellness into the Hong Kong listed H&H Group of companies and enjoyed a dual role during that time as Group Senior VP Legal and Risk. He was also a Fellow of the Australia Marketing Institute. George was formerly executive chair, and is currently non-executive director, of ASX-listed Bod Australia Limited (ASX: BDA).

Gretta van Riel

Gretta is a serial entrepreneur, having founded five start-ups including SkinnyMe Tea, the 5TH Watches and Drop Bottle. Gretta has extensive experience in building and scaling eCommerce brands and is an expert in influencer-led online marketing campaigns and brand development. Gretta was named in the "Forbes 30 Under 30 Asia List of 2018", which noted that "her most recent venture is an influencer marketing platform called Hey Influencers, which helps link and grow relationships between brands and social media influencers, something van Riel clearly knows a thing or two about". Gretta has a Bachelor of Arts with First Class Honours in Media and Communications from the University of Melbourne and resides in Melbourne.

Margaret Hardin

Ms Hardin is a global products senior executive, with extensive experience. She has previously scaled two consumer goods companies to generate more than US$100m in revenue, and currently advises founders on growth opportunities. Most recently, Ms Hardin was CEO of ERGObaby Carrier Inc. During her time with the group, she revived product innovation while managing an omni-channel distributor, retail and ecommerce model across over 60 countries and 19 company-owned websites. Prior to ERGObaby Carrier Inc., Ms Hardin was CFO during the early stages of US baby and accessories company Munchkin and was progressively promoted to President and COO. She grew the company to a major brand leader in the juvenile industry, where she led sales, acquisitions, brand partnerships and marketing efforts. She oversaw the opening of sales operations in Canada and launched the EMEA headquarters.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and other Committees held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Board Meetings		**Audit, Risk & Compliance Committee Meetings**		**Remuneration & Nomination Committee Meetings**	
	Entitled to attend[1]	**Attended[2]**	**Entitled to attend[1]**	**Attended[2]**	**Entitled to attend[1]**	**Attended[2]**
Adem Karafili (3)	11	11	1	1	3	3
George Livery (Chair)	11	11	4	4	3	3
Gretta van Riel (4)	9	8	3	2	2	2
Margaret Hardin (5)	11	10	4	4	1	1
Total number of meetings held	**11**	-	**4**	-	**3**	-

1) Number of meetings held that the director was entitled to attend as a director of the Board or as a member or Chair of a Committee.

Directors' Report

31 December 2023

Meetings of directors (continued)

2) Number of meetings attended by the director.
3) Adem Karafili was appointed as a member of the Audit, Risk & Compliance Committee effective from 26 September 2023.
4) Gretta van Riel resigned as a non-executive director of the Company effective on and from 26 September 2023.
5) Margaret Hardin was appointed as a member of the Remuneration & Nomination Committee effective 26 September 2023.

Company secretary

The following person held the position of Group secretary at the end of the financial year:

Victoria Nadalin was appointed as the Company Secretary on 8 February 2023. Victoria Nadalin is the Associate Director of Corporate Governance at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies. In addition, she is an Associate Lawyer at Coghlan Duffy Lawyers, specialising in corporate law and equity capital markets. Victoria holds a Bachelor of Arts and a Bachelor of Law from Deakin University and is admitted as a lawyer in the state of Victoria. Victoria is also completing the Graduate Diploma of Applied Corporate Governance and Risk Management from the Governance Institute of Australia.

Carlie Hodges resigned as the Company Secretary on 8 February 2023.

Indemnification and insurance of officers and auditors

During the year, the Group paid a premium to insure the directors and officers of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal procedures that may be brought against the officers in their capacity as officers of the Company.

Proceedings on behalf of the company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the *Corporations Act 2001*.

Remuneration report

(a) Key management personnel covered in this report

This report details the nature and amount of remuneration of each Director of The Hydration Pharmaceuticals Company Limited and all other Key Management Personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Names	Position	Appointment/Resignation
Directors		
Adem Karafili	Non-Executive Director	
George Livery	Independent, Non-Executive Director	
Margaret Hardin	Independent, Non-Executive Director	
Gretta van Riel	Independent, Non-Executive Director	Resigned 26 September 2023
Key Management Personnel		
Oliver Baker	CEO	
Chris Kavanaugh	CFO	

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Remuneration report (continued)

(b) Remuneration policy and link to performance

Remuneration of all Non-Executive Directors and Officers of the Company is determined by the Board following recommendation by the Remuneration and Nomination Committee.

The Company is committed to remunerating Directors in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount limit approved by shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

Remuneration framework

Element	Purpose	Performance metrics
Fixed remuneration	Provide competitive market salary including superannuation	Nil-Positioned at median market rate
Short-term incentives (STI)	Reward for in-year performance	Successful contract negotiations, successful revenue growth, and completion of set milestones
Long-term incentives (LTI)	Alignment to long-term shareholder value	3 year revenue performance

Balancing short-term and long-term performance

Annual incentives were set at a maximum of 50% of fixed remuneration for the CEO and 40% for the CFO, in order to drive performance without encouraging undue risk taking.

Long-term incentives are assessed over a three year period and are designed to promote long-term stability in shareholder returns.

Assessing performance

The Remuneration and Nomination Committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the Committee receives detailed reports on performance from management.

(c) Elements of remuneration

(i) Fixed annual remuneration

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance. Fixed annual remuneration is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Remuneration and Nomination Committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

(ii) Short-term incentives

The purpose of short-term incentives is to reward individual performance in line with Company objectives. Consequently, short-term incentives are typically paid in cash or may be settled as equity subject to the discretion of the Remuneration and Nomination Committee, where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

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Remuneration report (continued)

(c) Elements of remuneration (continued)

The Company uses a variety of short-term KPI's to determine achievement, depending on the role of the executive being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- successful revenue growth; and
- completion of set milestones.

The Non-Executive Directors do not have short-term incentives.

(iii) Long-term incentives

Executive KMP participate, at the Board's discretion, in the Equity Share and Option Plan (ESOP) comprising grants of options and performance rights.

LTI targets are linked to revenue growth targets and ongoing service with the Company.

Equity options and performance rights for key management personnel are either subject to service and/or performance from grant date. The equity is at risk until vesting. Where relevant, performance is tested once at the end of the financial year subject to approval of the annual report by the Board.

LTI is intended to reward executive KMP for sustainable long-term growth aligned to shareholders' interests.

(d) Link between remuneration and performance

FY 2023 performance and impact on remuneration

The Group's performance in 2023 delivered a revenue result slightly below target with a substantial reduction in marketing spend and some out of stock inventory mainly in Q4. For more information on strategic priorities and 2023 results, refer to the Financial Overview.

Company financial performance

Directors have been compensated for work undertaken and the responsibilities assumed in being Directors of this publicly listed company based on industry practice. Consistent with good corporate governance practices, compensation of Non-Executive Directors is not linked to specific performance hurdles or objectives.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues to invest in growth to reach break even.

This pattern is indicative of the Company's performance over the past three years. Accordingly, no dividends have been paid during the year, or in respect of the 2023 financial year.

	Revenue	Net (Loss)/ Profit	Share Price at Balance Sheet Date	Loss per Share
	US$	US$	A$	US$
2023	10,041,184	(8,102,378)	0.024	0.04
2022	9,099,968	(10,607,166)	0.09	0.07
2021	6,127,178	(8,951,661)	0.30	0.12
2020	3,756,695	(743,663)	-*	0.01
2019	2,962,825	(3,434,151)	-*	0.06

*Shares at 31 December 2019 and 31 December 2020 were unlisted.

The Group has presented financial years for which consolidated financial information was prepared in the above table.

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Remuneration report (continued)

(e) Remuneration expenses for Directors and other key management personnel

The following table shows details of the remuneration expense recognised for the Directors and other key management personnel for the financial year measured in accordance with the requirements of the applicable accounting standards.

	Fixed Remuneration			Variable Remuneration			
	Cash salary and fees	**Health and other Insurance**	**Superannuation contribution**	**Cash bonus****	**Options/ Performance Rights**	**Other*****	**Total**
2023	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Directors							
Adem Karafili	44,465	-	-	-	1,390	-	45,855
George Livery	53,504	-	6,496	-	1,853	-	61,853
Gretta van Riel*	33,658	-	4,018	-	1,390	-	39,066
Margaret Hardin	50,000	-	-	-	1,390	-	51,390
Key Management Personnel							
Oliver Baker	340,883	34,330	13,200	126,983	680,407	15,288	1,211,091
Chris Kavanaugh	228,840	34,330	9,120	71,426	289,801	10,785	644,302
	751,350	68,660	32,834	198,409	976,231	26,073	2,053,557

	Fixed Remuneration			Variable Remuneration			
	Cash salary and fees	**Health and other Insurance**	**Superannuation contribution**	**Cash bonus**	**Options/ Performance Rights**	**Other*****	**Total**
2022	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Directors							
Adem Karafili	49,778	-	-	-	933	-	50,711
George Livery	47,874	-	9,345	-	1,244	-	58,463
Gretta van Riel*	39,894	-	7,788	-	933	-	48,615
Margaret Hardin	45,833	-	-	-	933	-	46,766
Key Management Personnel							
Oliver Baker	346,500	32,192	12,200	144,800	969,487	11,675	1,516,854
Chris Kavanaugh	226,840	32,250	9,040	68,400	503,512	7,347	847,389
	756,719	64,442	38,373	213,200	1,477,042	19,022	2,568,798

* Resigned on 26 September 2023

** Cash bonus relates to performance based remuneration. During the financial year, 78% of the eligible short term incentive cash bonus was awarded to key management personnel. Of the total amount awarded, $81,984 was paid in cash. Subsequent to year end, the Board approved the remaining amount of $116,425 would be settled via equity for the CEO and CFO, given the cash position of the Group.

US$116,425 has been determined to be settled via equity, resulting in a total number of immediately vesting options issued of 15,982,789 with an exercise price of A$0.016. The number of options was determined by taking the value of the bonus settlement and dividing it by the Black-Scholes option value. The options were issued on 1 March 2024 with a calculated value of A$0.01120, expire on 1 March 2029 and immediately vested.

Cash bonus breakdown:

Key Management Personnel	Number of Options	A$ Value of options	US$ Value of options	US$ Cash Bonus	US$ Cash Bonus Total
Oliver Baker	10,872,456	121,772	79,199	47,784	126,983
Chris Kavanaugh	5,110,333	57,236	37,226	34,200	71,426

*** Other is an agreed annual reimbursement for family flight to home region.

Directors' Report

31 December 2023

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Remuneration report (continued)

(f) Contractual arrangements with executive KMPs

Summaries of the key terms of the employment contracts of the Company's key employees, Oliver Baker and Chris Kavanaugh, are set out in the table below.

Term	Description
Total Fixed Remuneration (TFR)	Oliver Baker is entitled to receive TFR of US$362,000 per annum. Chris Kavanaugh is entitled to receive TFR of US$228,000 per annum. TFR increases annually by the rate of inflation.
Contract duration	Ongoing contracts
Notice by the individual/Company	Each key employee is employed "at will" and their employment agreement may be terminated by either party at any time and for any reason, with or without cause. Each employment agreement may be terminated by either party on four months' notice (unless the agreement is terminated for cause, in which case termination will be immediate). All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001.*
Restraints	During their employment with the Company, the key employees may not (i) engage in any other employment, consulting or other business activity that conflicts or interferes with their obligations to the Company; or (ii) engage or participate in any business that is competitive with the Company.

(g) Non-executive Director arrangements

Non-Executive Directors receive a board fee. The fees are inclusive of superannuation, where relevant.

Fees are reviewed annually by the Board taking into account comparable roles and market data. The current base fees were reviewed with effect from October 2021.

The total aggregate amount approved by Shareholders at the Company's general meeting to be provided to all Non-Executive Directors for their services as Directors is fixed at US$350,000 per annum.

The following annual Non-Executive Director fees were agreed to be paid by the Company commencing 3 October 2021:

- the Chairman is US$60,000 (inclusive of superannuation); and
- each of the other Directors is US$50,000 (inclusive of superannuation, where applicable).

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

(h) Terms and conditions of the share-based payment arrangements

At the General Meeting held on 19 October 2021, Shareholders approved the establishment of the Equity Share and Option Plan (ESOP). The ESOP is intended to reward Directors, employees and/or consultants for their contributions to the Group. The ESOP is to be used as a method of retaining key personnel for the growth and development of the Group. Due to the Group's presence in Canada and USA, the ESOP has been established to benefit personnel in Australia, Canada and USA. As at 31 December 2023, equity had been issued to 4 directors and 12 employees in USA under the ESOP.

During the year ended 31 December 2023, there was one grant of options to Key Management Personnel. This section of the report covers information related to the grants under the ESOP.

Directors' Report
31 December 2023

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Remuneration report (continued)

(h) Terms and conditions of the share-based payment arrangements (continued)

(i) New options awarded to Key Management Personnel in 2023

The following options were awarded to Key Management Personnel on 29 August 2023 and immediately vested.

Key management personnel	Options	Grant Date	Fair value per option at grant date (A$)	Exercise price (A$)	Expiry date	Vested
Oliver Baker	9,825,317	1-Aug-23	0.03	0.0432	29-Aug-28	9,825,317
Chris Kavanaugh	4,912,659	1-Aug-23	0.03	0.0432	29-Aug-28	4,912,659

(ii) Options granted to Directors in 2022

The Group issued 232,142 options to Directors, which will vest on the three year anniversary of the date of issue of the options, subject to the Directors continued provision of services to the Company as a Director (and no notice of resignation being given) as at the vesting date. The vesting date is 22 July 2025.

The terms and conditions of each grant of these Director options affecting remuneration in the current and future reporting periods are as follows:

Director	Options	Grant date	Fair value per option at grant date (A$)	Exercise price (A$)	Expiry date	Vested
Adem Karafili	53,571	27-May-22	$ 0.117	$ 0.476	22-Jul-27	-
Margaret Hardin	53,571	27-May-22	$ 0.117	$ 0.476	22-Jul-27	-
George Livery	71,429	27-May-22	$ 0.117	$ 0.476	22-Jul-27	-
Gretta van Riel	53,571	27-May-22	$ 0.117	$ 0.476	22-Jul-27	-

Gretta's options were forfeited upon resignation effective on 26 September 2023.

(iii) Options granted to key management personnel in 2021 (subsequently all cancelled)

The Group granted options to key management personnel in October 2021, which are in five different classes (Class A-E).

The terms and conditions of each grant of these options affecting key management personnel remuneration in the current reporting period are as follows:

Key management personnel	Options granted	Grant date	Fair value per option at grant date (A$)	Exercise price (A$)	Expiry date	Vested	Cancelled
Oliver Baker							
Class A options	1,400,000	19-Oct-21	$ 0.175	$ 0.29	1-Dec-26	1,400,000	1,400,000
Class B options	1,960,000	19-Oct-21	$ 0.175	$ 0.29	1-Dec-26	653,333	1,960,000
Class C options	3,480,000	19-Oct-21	$ 0.150	$ 0.44	1-Dec-26	1,160,000	3,480,000
Class D options	3,480,000	19-Oct-21	$ 0.133	$ 0.58	1-Dec-26	1,160,000	3,480,000
Class E options	3,480,000	19-Oct-21	$ 0.119	$ 0.73	1-Dec-26	1,160,000	3,480,000
Chris Kavanaugh							
Class A options	1,820,000	19-Oct-21	$ 0.175	$ 0.29	1-Dec-26	1,820,000	1,820,000
Class B options	1,000,000	19-Oct-21	$ 0.175	$ 0.29	1-Dec-26	333,333	1,000,000
Class C options	1,160,000	19-Oct-21	$ 0.150	$ 0.44	1-Dec-26	386,666	1,160,000
Class D options	1,160,000	19-Oct-21	$ 0.133	$ 0.58	1-Dec-26	386,666	1,160,000
Class E options	1,160,000	19-Oct-21	$ 0.119	$ 0.73	1-Dec-26	386,666	1,160,000

During the year, the Class A-E options were cancelled on 26 October 2023. These options were cancelled and replaced with the new options that were granted in 2023.

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Remuneration report (continued)

(h) Terms and conditions of the share-based payment arrangements (continued)

Class A options vesting conditions

Vesting of the Class A options was subject to listing on the ASX, satisfaction (or waiver by the Board at its discretion) of the FY2021 Revenue Condition and service up to the vesting date. The FY2021 Revenue Condition was that Group audited revenue for 2021 must be at least 30% more than the Group audited revenue for 2020.

Group audited revenue means the actual, audited revenues for the Group for a financial year (as recorded in the Company's audited accounts), excluding extraordinary and one off items, government grants and rebates. The Board determined the Group audited revenue for 2021 satisfied the FY2021 Revenue Condition and the options fully vested in March 2022.

Class B-E options vesting conditions

Vesting of the Class B-E options is subject to listing on the ASX and service up to the respective vesting dates. Class B to E options have tranche vesting over three years (with vesting dates on 3 December 2022, 3 December 2023 and 3 December 2024), from FY2022 to FY2024 inclusive, subject to the participant being an employee of the Group at the time of vesting (or, in certain cases, a "good leaver").

(iv) Performance rights granted to key management personnel in 2021

The Group made the following grants of performance rights to key management personnel on 19 October 2021. No performance rights were granted in the current or prior financial year.

The grants relate to reward for the Company's performance in 2021 and prior (the Tranche A Award) and incentivisation for future performance (the Tranche B Award). Each performance right will be exercisable for one ordinary share for nil exercise price.

On completion of the grant of performance rights, the performance rights will be held by key management personnel as follows:

Tranche A Award

Key management personnel	Performance Rights granted	Fair value per right at grant date (A$)	Grant date	Expiry date	Vested
Oliver Baker	1,356,011	0.29	19-Oct-21	31-Dec-25	1,356,011
Chris Kavanaugh	1,070,674	0.29	19-Oct-21	31-Dec-25	1,070,674

The performance rights granted under the Tranche A Award were subject to satisfaction (or waiver) of all of the following vesting conditions:

- Listing on the ASX;
- Continued employment (or being a good leaver); and
- Satisfaction of the Tranche A Revenue Condition.

The Tranche A Revenue Condition was that the Group audited revenue for 2021 must be at least 30% more than the Group audited revenue for 2020. This was the same as the vesting conditions associated with Class A options outlined above. The Board determined the Group audited revenue for 2021 satisfied the Tranche A Revenue Condition and the rights vested in June 2022. The number of performance rights that vested was reduced by changes in lieu of allocation. The number of performance rights ultimately issued as shares amounted to 1,238,051.

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Remuneration report (continued)

(h) Terms and conditions of the share-based payment arrangements (continued)

Tranche B Award

Key management personnel	Performance Rights granted	Fair value per right at grant date (A$)	Grant date	Expiry date	Vested
Oliver Baker	1,960,000	0.29	19-Oct-21	31-Dec-25	653,333
Chris Kavanaugh	1,000,000	0.29	19-Oct-21	31-Dec-25	333,333

The performance rights granted under the Tranche B Award are subject to satisfaction (or waiver) of all of the following vesting conditions:

- Listing on the ASX;
- Continued employment (or being a good leaver); and
- Satisfaction of the Tranche B Revenue Condition.

The Tranche B Revenue Condition relates to the Group audited revenue for the periods FY2022 to FY2024 (inclusive). One third of a participant's total available number of performance rights under the Tranche B Award relates to each financial year in the three year period and those performance rights will vest as follows:

- one third of a financial year's total award potential will vest if a Minimum Threshold is met;
- two thirds of a financial year's total award potential will vest if a Medium Threshold is met;
- all of a financial year's total award potential will vest if a Maximum Threshold is met; and
- vesting date within 1 month of release of the full year results for the relevant financial year by the Group.

Performance milestone	Proportion of total Tranche B Award each year	Minimum threshold 20% growth	Medium threshold 30% growth	Maximum threshold 40% growth
The higher of Group audited revenue growth from 2021 to 2022 or 2021 to 2022 compound average growth rate (CAGR)	Maximum of 33.3% of total Tranche B Award	11.1%	22.2%	33.3%
The higher of Group audited revenue growth from 2022 to 2023 or 2021 to 2023 compound average growth rate (CAGR)	Maximum of 33.3% of total Tranche B Award	11.1%	22.2%	33.3%
The higher of Group audited revenue growth from 2023 to 2024 or 2021 to 2024 compound average growth rate (CAGR)	Maximum of 33.3% of total Tranche B Award	11.1%	22.2%	33.3%

At the end of each financial year, the CAGR since inception of the grant (FY21) will be calculated as well as the revenue growth rate achieved in the most recent financial year. The higher of the two numbers will be used to assess performance in relation to the Tranche B Revenue Condition. Where applicable, the performance rights will vest within 1 month of release of the full year results for the relevant financial year by the Group.

Any performance rights under the Tranche B Award that have not vested by no later than one month after release of the FY2024 results will lapse.

The Board considers that it is necessary and appropriate to remunerate or incentivise key management personnel, and the other employees, to achieve the performance milestones via the grant of performance rights because, as the Company's key executives on the ground in the United States, they are critical to the performance and success of the Company. The Board formed the view that it was reasonable to incentivise and reward the CEO and CFO for their contributions in the event that the Company reached appropriate performance milestones.

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Directors' Report
31 December 2023

Remuneration report (continued)

(h) Terms and conditions of the share-based payment arrangements (continued)

Reconciliation of options held by Directors/KMP

The table below shows a reconciliation of options held by each Director/KMP from the beginning to the end of the financial year. All vested options were exercisable.

2023 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen-sation	Vested during the Year	Vested %	Exercised	Cancelled No.	Can-celled %	Other changes*	Year-end balance Vested and exercisable	Year-end balance Unvested
Oliver Baker										
19-Oct-21	13,800,000	-	-	-	-	13,800,000	100%	-	-	-
31-Aug-19	2,600,000	-	-	-	-	600,000	23%	-	2,000,000	-
29-Aug-23	-	9,825,317	9,825,317	100%	-	-	-	-	9,825,317	-
Chris Kavanaugh										
19-Oct-21	6,300,000	-	-	-	-	6,300,000	100%	-	-	-
31-Aug-19	180,000	-	-	-	-	-	-	-	180,000	-
1-Aug-23	-	4,912,659	4,912,659	100%	-	-	-	-	4,912,659	-
Adem Karafili										
2-Oct-23	-	-	-	-	-	-	-	500,000	500,000	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571
19-Oct-21	1,000,000	-	-	-	-	-	-	-	1,000,000	-
31-Aug-19	900,000	-	-	-	-	-	-	-	900,000	-
1-Jan-19	74,739	-	-	-	-	-	-	-	74,739	-
George Livery										
2-Oct-23	-	-	-	-	-	-	-	277,778	277,778	-
27-May-22	71,429	-	-	-	-	-	-	-	-	71,429
Gretta van Riel										
27-May-22	53,571	-	-	-	-	-	-	(53,571)	-	-
Margaret Hardin										
2-Oct-23	-	-	-	-	-	-	-	166,667	166,667	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571

* The "Other changes" represent the additional options given to investors who participated in the capital raise during the year. The additional options were issued on the capacity of 2 shares to 1 option basis and do not constitute a share based payment.

Additional change for Gretta relates to forfeiture of the options due to resignation.

2022 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen-sation	Vested during the Year	Vested %	Exercised	Forfeited No.	Forfeited %	Other changes	Year-end balance Vested and exercisable	Year-end balance Unvested
Oliver Baker										
19-Oct-21	13,800,000	-	5,533,333	39%	-	-	-	-	5,533,333	8,266,667
31-Aug-19	2,600,000	-	666,666	26%	-	-	-	-	2,600,000	-
Chris Kavanaugh										
19-Oct-21	6,300,000	-	3,313,331	53%	-	-	-	-	3,313,331	2,986,669
31-Aug-19	180,000	-	-	-	-	-	-	-	180,000	-
Adem Karafili										
27-May-22	-	53,571	-	-	-	-	-	-	-	53,571
19-Oct-21	1,000,000	-	-	-	-	-	-	-	1,000,000	-
31-Aug-19	900,000	-	-	-	-	-	-	-	900,000	-
1-Jan-19	74,739	-	-	-	-	-	-	-	74,739	-
George Livery										
27-May-22	-	71,429	-	-	-	-	-	-	-	71,429

Directors' Report

31 December 2023

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Remuneration report (continued)

(h) Terms and conditions of the share-based payment arrangements (continued)

2022 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen-sation	Vested during the Year	Vested %	Exercised	Forfeited No.	Forfeited %	Other changes	Year-end balance Vested and exercisable	Year-end balance Unvested
Gretta van Riel										
27-May-22	-	53,571	-	-	-	-	-	-	-	53,571
Margaret Hardin										
27-May-22	-	53,571	-	-	-	-	-	-	-	53,571

(i) Ordinary shareholdings held by Directors/KMP

The number of fully paid ordinary shares in the Company held during the financial year by each Director and other key management personnel, including shares held indirectly by them personally, are set out below:

2023	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year*	Balance at the end of the year[1]
Directors					
Adem Karafili	1,560,417	-	-	1,001,972	2,562,389
George Livery	207,000	-	-	674,659	881,659
Gretta van Riel	40,000	-	-	-	40,000
Margaret Hardin	-	-	-	372,463	372,463
Other Key Management Personnel					
Oliver Baker	815,218	-	313,600	394	1,129,212
Chris Kavanaugh	555,542	-	160,000	-	715,542

2022	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year	Balance at the end of the year
Directors					
Adem Karafili	1,560,417	-	-	-	1,560,417
George Livery	-	-	-	207,000	207,000
Gretta van Riel	-	-	-	40,000	40,000
Margaret Hardin	-	-	-	-	-
Other Key Management Personnel					
Oliver Baker	132,709	-	682,509	-	815,218
Chris Kavanaugh	-	-	555,542	-	555,542

[1] Closing balance at either 31 December 2023 or the date that a director ceased directorship of the Company (Gretta van Riel: 26 September 2023)

* 2023 Shares acquired during the year were shares acquired during the placement offering.

This is the end of the Remuneration Report.

Audit and non-audit services

Details of the amounts paid or payable to the auditor for audit and non-audit services during the year are disclosed in note 22.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors, in accordance with advice provided by the Audit, Risk & Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* is set out on page 15.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

This director's report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

....

George Livery

Melbourne

Dated this 28th day of March 2024

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Auditor's Independence Declaration

As lead auditor for the audit of The Hydration Pharmaceuticals Company Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Hydration Pharmaceuticals Company Limited and the entities it controlled during the period.

Graeme McKenna
Partner
PricewaterhouseCoopers

Melbourne
28 March 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

	Note	2023 $	2022 $
Revenue	4	**10,041,184**	9,099,968
Cost of sales		**(4,649,478)**	(4,403,610)
Gross profit		**5,391,706**	4,696,358
Other income		**-**	5
Sales and marketing expenses		**(6,846,940)**	(9,227,254)
Administrative expenses		**(2,553,683)**	(1,695,273)
Employee benefits expense	6	**(3,732,962)**	(4,475,611)
Fair value movement on derivative financial instruments		**285,933**	65,331
Foreign exchange gain/(loss)		**(3,532)**	120,485
Finance costs	5	**(642,900)**	(91,207)
Loss before income tax		**(8,102,378)**	(10,607,166)
Income tax expense	7	**-**	-
Loss for the year		**(8,102,378)**	(10,607,166)
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		**(74,146)**	(611,622)
Other comprehensive income for the year, net of tax		**(74,146)**	(611,622)
Total comprehensive loss for the year		**(8,176,524)**	(11,218,788)

	Note	2023 $	2022 $
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	27	**(0.04)**	(0.07)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 $	2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**1,840,274**	4,688,191
Trade and other receivables	9	**1,748,571**	1,306,397
Inventories	10	**2,392,082**	3,386,379
Other assets	11	**710,492**	1,009,579
TOTAL CURRENT ASSETS		**6,691,419**	10,390,546
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		**-**	-
TOTAL ASSETS		**6,691,419**	10,390,546
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**3,064,336**	2,326,070
Derivative financial instruments	13	**69,232**	349,470
TOTAL CURRENT LIABILITIES		**3,133,568**	2,675,540
NON-CURRENT LIABILITIES			
Provisions		**23,352**	22,052
Borrowings	13	**3,892,754**	3,711,781
TOTAL NON-CURRENT LIABILITIES		**3,916,106**	3,733,833
TOTAL LIABILITIES		**7,049,674**	6,409,373
NET ASSETS		**(358,255)**	3,981,173
EQUITY			
Contributed equity	14	**39,328,597**	36,613,006
Reserves	15	**3,391,309**	2,343,950
Accumulated losses		**(43,078,161)**	(34,975,783)
TOTAL EQUITY		**(358,255)**	3,981,173

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

2023

	Note	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 January 2023		**36,613,006**	**(34,975,783)**	**(1,242,524)**	**3,586,474**	**3,981,173**
Loss for the year		**-**	**(8,102,378)**	**-**	**-**	**(8,102,378)**
Other comprehensive income	15	**-**	**-**	**(74,146)**	**-**	**(74,146)**
Total comprehensive loss for the year		**-**	**(8,102,378)**	**(74,146)**	**-**	**(8,176,524)**
Transactions with owners in their capacity as owners						
Issue of shares	14	**2,956,954**	**-**	**-**	**-**	**2,956,954**
Share issue transaction costs	14	**(241,363)**	**-**	**-**	**-**	**(241,363)**
Employee share scheme	15	**-**	**-**	**-**	**1,121,505**	**1,121,505**
Balance at 31 December 2023		**39,328,597**	**(43,078,161)**	**(1,316,670)**	**4,707,979**	**(358,255)**

2022

	Note	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 January 2022		36,408,321	(24,368,617)	(630,902)	1,817,549	13,226,351
Loss for the year		-	(10,607,166)	-	-	(10,607,166)
Other comprehensive income	15	-	-	(611,622)	-	(611,622)
Total comprehensive loss for the year		-	(10,607,166)	(611,622)	-	(11,218,788)
Transactions with owners in their capacity as owners						
Issue of shares	14	250,000	-	-	-	250,000
Share issue transaction costs	14	(45,315)	-	-	-	(45,315)
Employee share scheme	15	-	-	-	1,768,925	1,768,925
Balance at 31 December 2022		36,613,006	(34,975,783)	(1,242,524)	3,586,474	3,981,173

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

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Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**9,599,011**	8,806,122
Payments to suppliers and employees (inclusive of GST)		**(14,800,920)**	(18,407,801)
Transaction costs associated with borrowings		**-**	(150,161)
Interest paid		**(527,796)**	-
Net cash inflow/(outflow) from operating activities	21	**(5,729,705)**	(9,751,840)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow/(outflow) from investing activities		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**-**	4,075,844
Proceeds from issuance of equity securities		**2,703,779**	-
Proceeds from exercise of warrants		**253,175**	-
Transaction costs from issuance of equity securities		**(241,363)**	-
Net cash inflow/(outflow) from financing activities		**2,715,591**	4,075,844
Net increase/(decrease) in cash and cash equivalents		**(3,014,114)**	(5,675,996)
Cash and cash equivalents at beginning of financial year		**4,688,191**	10,672,533
Effects of exchange rate changes on cash and cash equivalents		**166,197**	(308,346)
Cash and cash equivalents at end of financial year	8	**1,840,274**	4,688,191

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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The consolidated financial report covers The Hydration Pharmaceuticals Company Limited and its controlled entities ('the Group'). The Hydration Pharmaceuticals Company Limited is a for-profit Group limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in USD ($) which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 28 March 2024. The Directors have the power to amend and reissue the financial statements.

1 Basis of preparation

General Purpose

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Historical cost convention

The consolidated financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The amounts presented in the consolidated financial statements have been rounded to the nearest dollar unless stated otherwise.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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1 Basis of preparation (continued)

Going Concern

These financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss of $8,102,378 (2022: $10,607,166) and had net cash outflows from operating activities of $5,729,705 (2022: $9,751,840) for the year ended 31 December 2023 as a result of being a rapidly growing startup company.

The directors and management have considered the Group's projected cash flows and ability to continue as a going concern for at least the next 12 months from the signing date of these financial statements. The continuing viability of the Group is dependent on its ability to generate sufficient funds from its operating activities, securing access to the additional tranches of debt under a variation to its Facility Agreement, which as outlined below is subject to various conditions, and/or securing new funding through the continued support of its current lenders or from other sources, as the Group seeks a sale of the business or divestment of assets.

Management and the directors are of the view that the Group will be successful in securing the variation to its Facility Agreement, including the required approvals, and/or otherwise securing new funding through the continued support of its current lenders or from other sources as the Group seeks a sale of the business or divestment of assets, and accordingly have prepared the financial statements on a going concern basis. However, due to the factors described below, there is a material uncertainty which may cast significant doubt on whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

These financial statements do not include any adjustments that may be appropriate relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Variation to Facility Agreement with PURE Asset Management

On 27 March 2024, the Group signed a variation to its Facility Agreement with existing substantial shareholder PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund (PURE or PURE Asset Management) as previously announced to the market on 17 October 2022 (Original PURE Facility).

Under the terms of the variation (Amended PURE Facility), Hydralyte has secured A$1.7 million in new funding subject to various conditions. The Amended PURE Facility also includes two additional tranches, valued at A$1.5 million each, which can be accessed at the discretion of PURE Asset Management. The Group intends to use the funding under the Amended PURE Facility to progress a sales process or divestment of assets of the Group. Further details of the revised terms and conditions of the Amended PURE Facility are outlined in note 23.

A condition precedent to the Amended PURE Facility becoming effective, and therefore access to the A$1.7 million in new funding under the Amended PURE Facility becoming available, is the requirement of a waiver of ASX Listing Rule 10.1 in order to vary the Original PURE Facility. The Group will submit a waiver application to the ASX on or shortly after the signing date of these financial statements in order to apply for the required waiver. The Group is working cooperatively with the ASX in relation to the waiver application. While the timing is uncertain, the Group is of the view that a decision on the waiver may be reached in early April, however, cautions that there is no certainty that the ASX will grant the waiver. If the waiver is not granted, the Amended PURE Facility will not take effect and the new funding will not become available.

As at the signing date of these financial statements, the Group has approximately US$1.1 million of available cash and cash equivalents. If the Group's application for a waiver is approved, allowing for the draw-down of an initial tranche of A$1.7 million, this amount plus the cash at bank is expected to be exhausted by July 2024. In the absence of this draw-down, the Group's cash flow forecast indicates that the cash and cash equivalents may be fully utilised by the end of April 2024 to meet ongoing debts and obligations as and when they fall due.

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1 Basis of preparation (continued)

Going Concern (continued)

In the event that the waiver of ASX Listing Rule 10.1 is not granted, the Group will need to renegotiate the terms of the Amended PURE Facility to address and resolve any relevant matters to reach an acceptable position. Alternatively, the Group has obtained an indication of PURE's willingness to provide financial support in the intervening period to the finalisation of the current additional tranche funding discussions, as detailed above, up to 30 June 2024, subject to terms and structure, if required.

The Group has assessed and sought to execute on a range of different funding options in order to capitalise the business. It has been unable to garner sufficient support from shareholders for an equity capital raising and has been unable to procure new equity investors.

The Board is of the view that the Group is unable to access the level of capital required to get the business to breakeven or better in a short period of time, resulting in the Board's decision to seek a sale of the business or divestment of assets with the goal to maximise shareholder returns.

Group to seek a sale of the business or divestment of assets

In addition to the arrangements with Pure Asset Management described above, the Board is currently considering a range of strategic transactions to seek to strengthen the Group's financial position and performance. The strategic transactions include potential change of control transactions and/or asset divestments.

The Board engaged New York-based Two Roads Capital in the second half of 2023 in order to seek to procure a strategic equity investor, change of control transaction or asset divestment for the benefit of shareholders (refer the Group's Appendix 4E released on 29 February 2024).

The Group is currently in progressed discussions with certain potential acquirers, however, no binding or non-binding offer has been received in writing and there is no guarantee that any transaction will eventuate. The Company will update the market as to the progress of any strategic transaction as and when required by the Listing Rules.

2 Summary of material accounting policies

(a) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD ($), which is The Hydration Pharmaceuticals Company Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the

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2 Summary of material accounting policies (continued)

(a) Foreign currency translation (continued)

presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full for the purpose of these consolidated financial statements.

All controlled entities have a December financial year end.

A list of controlled entities is contained in note 17 to the consolidated financial statements.

(c) Revenue and other income

Sales of goods are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Goods are often sold with discounts, rebates and promotional incentives. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts, rebates and promotional incentives which are highly dependent or inter-related with the sales contracts such that the customer could not benefit from one without the other. Accumulated experience is used to estimate and provide for such discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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2 Summary of material accounting policies (continued)

(c) Revenue and other income (continued)

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income

Interest income is recognized using the effective interest method.

(d) Income tax

The tax expense recognized in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit or loss.
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognized as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognized in other comprehensive income or equity, in which case the tax is recognized in other comprehensive income or equity respectively.

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2 Summary of material accounting policies (continued)

(e) Government legislated tax (Sales tax/HST/GST)

Revenues, expenses and assets are recognized net of the amount of associated Government legislated tax (Sales Tax/HST/GST), unless the Government legislated tax (Sales Tax/HST/GST) incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of Government legislated tax (Sales Tax/HST/GST) receivable or payable. The net amount of Government legislated tax (Sales Tax/HST/GST) recoverable from, or payable to, the taxation authority is included within other receivables or payables in the consolidated statement of financial position.

(f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(g) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days of invoicing and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less a loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of previous sales and the corresponding historical credit losses experienced.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories are determined using the average costing basis which includes cost to acquire the inventories plus additional freight costs. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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2 Summary of material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

Classification

The Group only has financial assets categorised as those measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method less any provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets are more than 90 days past due.

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2 Summary of material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of impairment is recorded in a separate allowance account with the loss being recognised in administrative expenses. Once the receivable is determined to be uncollectible then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost is determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced a significant increase in credit risk, then the lifetime losses are estimated and recognized.

(j) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

(k) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value of derivatives are recognized through the profit or loss.

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2 Summary of material accounting policies (continued)

(l) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the end of the reporting period.

(o) Provisions

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

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2 Summary of material accounting policies (continued)

(q) Share-based payments

The Group provides share-based compensation benefits to selected employees and directors. The fair value of options and performance rights granted to selected employees and directors are recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(s) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that Instrument to the nearest dollar.

(t) Parent entity financial information

The financial information for the parent entity, The Hydration Pharmaceuticals Company Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity, less any impairment.

Tax consolidation legislation

The Hydration Pharmaceuticals Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the ‘stand-alone taxpayer’ approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

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3 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or estimates include the warrants issued by the Group and the Group's share based payment awards.

The fair value of the warrants was determined using valuation methods, including Monte Carlo simulation, which takes into account various inputs and assumptions including the share price at the valuation date, the exercise price, dividend yield, the risk-free rate, the effective life, expected price volatility and other dilutionary impacts. The fair value was determined using valuation techniques that maximise the use of observable market data and as such this is considered to be in level 2 of the fair value hierarchy.

The fair values of the share based payment awards at grant date are determined using valuation methods, including Black-Scholes Models, which take into account various inputs and assumptions including the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate. Further details are outlined in note 26.

4 Revenue

	2023	2022
	$	$
Revenue from contracts with customers	**10,041,184**	9,099,968

The Group derives its revenue from the transfer of goods at a point in time in the following geographical regions:

	2023	2022
	$	$
US	**4,300,856**	4,500,526
Canada	**5,740,328**	4,599,442
Total	**10,041,184**	9,099,968

5 Finance costs

	2023	2022
	$	$
Interest expense	**642,900**	91,207
Total	**642,900**	91,207

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2023

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6 Result for the year

The result for the year includes the following specific expenses:

	2023	2022
	$	$
Employee benefits expense	**3,732,962**	4,475,611
Expense relating to short-term leases	**58,400**	89,436

The employee benefits expense line includes $1,033,522 of share based payments expense, refer to further details outlined in note 26.

7 Income tax expense

(a) The major components of income tax expense comprise:

	2023	2022
	$	$
Current tax expense		
Income tax	**-**	-
Deferred tax expense		
Deferred tax	**-**	-
Total income tax expense	**-**	-

(b) Numerical reconciliation of income tax to prima facie tax payable:

	2023	2022
	$	$
Loss from continuing operations before income tax expense	**(8,102,378)**	(10,607,166)
Tax at the US tax rate of 21.0% (2022 - 21.0%)	**21.00%**	21.00%
	(1,701,499)	(2,227,505)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Expenses not deductible for tax purposes	**289,464**	185,816
- Difference in overseas tax rate	**(173,734)**	(125,816)
- Current year temporary differences not recognised	**1,870**	159,232
- Current year tax losses not recognised	**1,583,899**	2,008,273
Income tax expense	**-**	-

	2023	2022
	$	$
Unused tax losses for which no deferred tax asset has been recognised	**34,797,138**	33,213,239
Potential tax benefit	**6,825,719**	6,515,025

The unused tax losses were incurred by the Group and there are uncertainties about the ability to generate taxable income in the foreseeable future. The potential tax benefit is calculated based on the relevant local tax rates.

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8 Cash and cash equivalents

	2023	2022
	$	$
Cash at bank and in hand	**1,840,274**	4,688,191
	1,840,274	4,688,191

9 Trade and other receivables

	2023	2022
	$	$
Trade receivables	**1,783,986**	1,311,855
Provision for doubtful accounts	**(38,987)**	(12,882)
Other receivables	**3,572**	7,424
	1,748,571	1,306,397

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On this basis, the Group determined a loss allowance of $38,987 as at 31 December 2023.

10 Inventories

	2023	2022
	$	$
Raw materials and consumables	**372,016**	329,754
Finished goods	**2,340,357**	2,694,368
Goods in transit	**-**	539,405
Writedowns	**(320,291)**	(177,148)
	2,392,082	3,386,379

11 Other assets

	2023	2022
	$	$
Prepayments	**710,492**	1,009,579

12 Trade and other payables

	2023	2022
	$	$
Trade payables	**1,059,467**	453,473
Returns and other liabilities	**359,690**	305,915
Accrued expenses	**1,645,179**	1,566,682
	3,064,336	2,326,070

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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13 Borrowings and derivative financial instruments

On 17 October 2022, the Group entered into a A$12m two-tranche secured loan facility (the "Facility" or "Original PURE Facility") with boutique asset manager and existing substantial shareholder PURE Asset Management Pty Ltd ("PURE" or "PURE Asset Management").

The loan is documented in a facility agreement between the Group, its subsidiaries and PURE Asset Management Pty Ltd in its capacity as trustee for The Income and Growth Fund (**Facility Agreement**) dated 14 October 2022 (**Facility Date**) together with a General Security Deed between the same parties dated the same date.

Key terms of the funding

Hydralyte North America accessed the first tranche of A$6,500,000 on 10 November 2022 following the execution of the Facility Agreement and subject to satisfaction (or waiver by PURE) of certain conditions.

The repayment date is 48 months after the utilisation date of the first tranche and includes an interest rate of 10% per annum (payable quarterly) (or 15.0% if a default or review event is subsisting).

The Group may repay the loan prior to the repayment date in tranches of A$500,000 if it gives PURE at least 30 business days' notice and pays a 2.5% repayment fee on the repayment amount.

The Facility included a 1.5% establishment fee, which was payable on the utilisation date of the first tranche, and a line fee of 2.0% of the value of the second tranche, payable up to utilisation of the second tranche.

The Facility includes the following covenants:

- from utilisation of the first tranche, a minimum cash covenant at all times of US$750,000;
- from utilisation of the second tranche, a minimum cash covenant at all times of US$1,500,000;
- at all times:
    - default event: quarterly gross profit less than or equal to US$750,000, tested each financial quarter-end; and
    - review event: quarterly gross profit less than or equal to US$1,000,000, tested each financial quarter-end.

A review event can be cured by clearing the test hurdle at a subsequent quarter.

The Group has complied with the relevant covenants throughout the reporting period. Subsequent to the end of the financial year, PURE Asset Management has granted the Company a waiver of rights that have accrued or which occur up until 30 June 2024 related to the minimum cash covenant, event of default arising out of non-payment or an insolvency event.

Conditions to access the second tranche

Access to the second tranche is at the discretion of PURE at the time the Group seeks to draw it, and shareholder approval being obtained (or not required) for the issue of the warrants relating to the second tranche. Subsequent to year end, the Facility Agreement has been amended. Refer to the subsequent events outlined in note 23 and the going concern information included in note 1.

Warrants

As part of the initial funding package, the Group issued 22,413,794 warrants to acquire fully paid ordinary shares (**Shares**) to PURE (or nominee) on drawdown of the first tranche, utilising the Group's existing capacity under ASX Listing Rule 7.1 (**First Tranche Warrants**).

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13 Borrowings and derivative financial instruments (continued)

The First Tranche Warrants are exercisable for Shares at an exercise price representing the lower of:

- $0.29;
- a 20.0% discount to the price of any change of control transaction; and
- an 'anti-dilution price adjustment' price (see below for further details).

Anti-dilution price adjustment

If the Group makes an issue of equity securities (or a series of consecutive issuances of equity securities in any period not exceeding 12 months), other than the exercise or conversion of options, rights or other convertible securities on issue at the Facility Date, and the diluted amount of those equity securities (in aggregate) exceeds 15% of the number of Shares on issue immediately before the announcement of the issue or first issuance, the anti-dilution price adjustment price of the Warrants will be calculated in accordance with the following formula:

(A + B) / C, where:

- **A** is the market capitalization of the Group on the trading day prior to the announcement of the issue of equity securities;
- **B** is the number of equity securities the subject of the issue multiplied by their issue price; and
- **C** is the number of Shares on issue immediately before the announcement of the issue of equity securities plus the diluted amount of the issued equity securities.

As of 26 September 2023, the warrants were amended to a fixed exercise price of A$0.053.

Expiry of the Warrants

The Warrants expire on the date that is 7 days prior to the repayment date of the loan (being 48 months after utilisation of the first tranche).

On 25 October 2023, PURE exercised 7,471,261 First Tranche Warrants, leaving 14,942,533 First Tranche Warrants remaining. In addition, PURE agreed to amend the floor exercise price of the First Tranche Warrants to A$0.053, as outlined in the anti-dilution formula above.

14 Contributed equity

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares on issue	265,141,804	163,755,295	40,753,896	37,796,943
Share issue transaction costs	-	-	(1,425,299)	(1,183,937)
	265,141,804	163,755,295	**39,328,597**	36,613,006

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

In September 2023, 46,612,138 options were issued as a part of the Entitlement Offer and Placement raise on the basis of 1 option for every 2 new shares issued. The options have an exercise price of A$0.07 and will expire on 31 December 2025.

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14 Contributed equity (continued)

(i) Fair value of new Entitlement Offer and Placement options granted in 2023

The assessed fair value at grant date of new options granted during the year ended 31 December 2023 was A$0.014 per option. The fair value at grant date was determined using a Black Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate.

a) Exercise price: A$0.07
b) Expiry Date: 31 Dec 25
c) Expected dividend yield: 0%
d) Volatility Rate: 86%, and
e) Risk free interest rate: 4.97%

The expected price volatility was based on a calculation of the historic volatility of Hydralyte's share price.

The Group does not have authorised capital or par value in respect of its shares.

15 Reserves

(a) Share based payment reserve

	2023 $	2022 $
Employee share scheme	**4,707,979**	3,586,474

	2023 $	2022 $
Movements:		
Employee share scheme		
Opening balance	**3,586,474**	1,817,549
Employee share scheme	**1,121,505**	1,768,925
	4,707,979	3,586,474

During the financial year, $1,033,522 (2022: $1,715,896) of share-based payments were expensed in relation to performance rights and options granted to employees and directors. Refer to further details outlined in note 26.

(b) Foreign currency translation reserve

	2023 $	2022 $
Opening balance	**(1,242,524)**	(630,902)
Other comprehensive income	**(74,146)**	(611,622)
Total	**(1,316,670)**	(1,242,524)

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Notes to the Consolidated Financial Statements

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16 Key management personnel remuneration

Key management personnel remuneration included within Employee benefits expense for the year is shown below:

	2023 $	2022 $
Short-term employee benefits	**1,044,492**	1,053,383
Post-employment benefits	**32,834**	38,373
Share-based payments	**976,231**	1,477,042
	2,053,557	2,568,798

Detailed remuneration disclosures are provided in the remuneration report from page 4.

17 Interests in subsidiaries

Composition of the Group

	Principal place of business / Country of incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Subsidiaries:			
Hydration Pharmaceuticals Trust	Australia	**100**	100
Hydration Pharmaceuticals Canada	Canada	**100**	100
Hydralyte LLC	United States	**100**	100
Hydration Pharmaceutical Service Pty Ltd (Dormant)	Australia	**100**	100
Hydration Therapeutics UK Limited (Dormant)	United Kingdom	**100**	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

18 Related parties

(a) Parent entity

The Hydration Pharmaceuticals Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to note 16.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

18 Related parties (continued)

(d) Transactions with other related parties

No transaction has occurred with other related parties for the current or prior financial year.

19 Contingencies and commitments

In the opinion of the Directors, the Group did not have any contingencies or commitments as at 31 December 2023 (31 December 2022: nil).

20 Segment information

The Group has one reportable operating segment, being Hydralyte Group. The Group's reportable segments are determined based on (1) financial information reviewed by the chief operating decision maker ("CODM"), being the Chief Executive Officer ("CEO"), (2) internal management and related reporting structure, and (3) basis upon which the CEO makes resource allocation decisions. While the Group operates in different geographies (US, Canada and Australia), the business offered by the Group in each geography is fundamentally the same. The CEO evaluates revenue by geography as an important measure of operating performance and growth. However, the costs of the Group are assessed by the CEO on a consolidated basis as many costs are centralised or cross geographical boundaries. The primary measure of profitability used by the CEO is operating profit or loss on a consolidated basis.

The breakdown of revenue by geography and reconciliation of operating results for each year is presented as follows:

	2023	2022
	$	$
Revenue by geography		
United States	**4,300,856**	4,500,526
Canada	**5,740,328**	4,599,442
Other income	**-**	5
Cost of sales	**(4,649,478)**	(4,403,610)
Sales and marketing expenses	**(6,846,940)**	(9,227,254)
Administrative expenses	**(2,553,683)**	(1,695,273)
Employee benefits expense	**(3,732,962)**	(4,475,611)
Operating losses	**(7,741,879)**	(10,701,775)
Foreign exchange gains/(losses)	**(3,532)**	120,485
Fair value movement on derivative financial instruments	**285,933**	65,331
Finance costs	**(642,900)**	(91,207)
Net loss for the year	**(8,102,378)**	(10,607,166)

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21 Cash flow information

Reconciliation of result for the year to net cash inflow/(outflow) from operating activities

	2023 $	2022 $
Loss for the year	**(8,102,378)**	(10,607,166)
Non-cash items in profit/(loss):		
- Foreign exchange (gain)/loss	**3,532**	(120,485)
- Non-cash employee benefits expense	**1,033,522**	2,132,563
- Provision for obsolete inventory	**143,142**	64,908
- Non-cash GST	**-**	26,889
- Interest expense	**99,492**	91,207
- Non-cash marketing expense	**618,547**	-
- Non-cash administration expense	**177,519**	-
- Fair value movement on derivative financial instruments	**(285,933)**	(65,331)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	**(437,711)**	(293,851)
- Increase/(decrease) in trade and other payables	**169,986**	73,841
- (Increase)/decrease in inventories	**851,155**	(1,721,452)
- (Increase)/decrease in other assets	**(1,878)**	815,683
- (Increase)/decrease in provisions	**1,300**	1,515
- (Increase)/decrease in other operating assets	**-**	(150,161)
Net cash inflow/(outflow) from operating activities	**(5,729,705)**	(9,751,840)

22 Remuneration of auditors

	2023 $	2022 $
Audit and review of financial reports		
- Group	**168,139**	166,745
Total audit and review of financial reports	**168,139**	166,745
Other services		
- Tax compliance services	**23,500**	26,700
Total other non-audit services	**23,500**	26,700
Total services provided by PwC	**191,639**	193,445

23 Events occurring after the reporting date

Subsequent to the end of the financial year, on 27 March 2024, the Group has signed a variation to its facility agreement with existing substantial shareholder PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund ("PURE" or PURE Asset Management) as previously announced to the market on 17 October 2022 (Original PURE Facility).

The key terms of the variation include:

- An initial tranche of A$1.7 million of debt would become available for draw down subject to the requirement of a

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23 Events occurring after the reporting date (continued)

waiver of ASX Listing Rule 10.1 in order to amend the Original PURE Facility.

- The Group grants approximately 85 million additional warrants to Pure Asset Management. The warrants have an exercise price of the lower of A$0.02, a 20% discount to any change of control transaction, and an anti-dilution price adjustment, and an expiry date of February 2028 and are required to be cancelled for consideration if an insolvency event occurrs. The grant of warrants is subject to any required shareholder approval for the purposes of the ASX Listing Rules.
- Two further tranches of A$1.5 million each would be available for draw down in the future, subject to Pure Asset Management agreeing to make the tranches available at the time of the draw down request (in its discretion).
- The interest rate on the additional debt is 15% and the interest is payable in shares at a volume weighted average price at the time of the payment.
- The interest rate on the existing debt (of A$6.5 million) increases from 10% to 15% from the date of the variation, with 50% of the interest payable in shares at a volume weighted average price at the time of the payment.
- Payment of the interest in shares would be subject to any shareholder approvals required by the ASX Listing Rules.
- The interest rate would increase to 30% on the occurrence of a material default of the Facility Agreement by the Group.
- Pure Asset Management would be guaranteed a minimum of 12 months of interest on the new debt from the date of the variation of the Facility Agreement.

The Group notes that a condition precedent to the Amended PURE Facility becoming effective, and thus access to the A$1.7m of funding under the Amended PURE Facility, is the requirement of a waiver of ASX Listing Rule 10.1. The Group cautions that there is no certainty that this requirement will be met, in which case the Amended PURE Facility will not take effect and the funding will not become available.

Further information is included in the Group's market announcement on 27 March 2024.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24 Parent entity

The following information for the parent entity, The Hydration Pharmaceuticals Company Limited, has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity, less any impairment.

Tax consolidation legislation

The Hydration Pharmaceuticals Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the ‘stand-alone taxpayer’ approach to allocation.

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24 Parent entity (continued)

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to, the head entity.

	2023 $	2022 $
Statement of Financial Position		
Assets		
Current assets	**458,103**	2,968,903
Non-current assets	**6,143,612**	3,728,787
Total assets	**6,601,715**	6,697,690
Liabilities		
Current liabilities	**484,371**	528,464
Non-current liabilities	**4,246,201**	3,893,013
Total liabilities	**4,730,572**	4,421,477
Equity		
Contributed equity	**38,793,417**	36,613,006
Accumulated losses	**(40,482,610)**	(37,923,267)
Other reserves	**3,560,336**	3,586,474
Total equity	**1,871,143**	2,276,213
Statement of Profit or Loss and Other Comprehensive Income		
Loss for the year	**(2,559,343)**	(3,641,138)
Total comprehensive loss	**(2,559,343)**	(3,641,138)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2023 or 31 December 2022.

Contractual commitments

The parent entity did not have any commitments as at 31 December 2023 or 31 December 2022.

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25 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

	31 December 2023					31 December 2022				
	CAD	AUD	CHF	USD	Total	CAD	AUD	CHF	USD	Total
	$	$	$	$	$	$	$	$	$	$
Assets										
Cash and cash equivalents	**747,894**	**484,354**	**-**	**608,026**	**1,840,274**	706,178	2,786,346	-	1,195,667	4,688,191
Trade and other receivables	**1,318,601**	**(169)**	**-**	**430,139**	**1,748,571**	816,897	(169)	-	489,669	1,306,397
Other assets	**45,375**	**64,612**	**278,884**	**321,621**	**710,492**	7,394	194,609	536,567	271,009	1,009,579
Liabilities										
Trade and other payables	**1,208,929**	**438,547**	**38,453**	**1,378,407**	**3,064,336**	1,050,443	192,485	162,123	921,019	2,326,070
Borrowings	**-**	**3,892,754**	**-**	**-**	**3,892,754**	-	3,711,781	-	-	3,711,781
Derivative financial instruments	**-**	**69,322**	**-**	**-**	**69,322**	-	349,470	-	-	349,470

(ii) Foreign currency sensitivity

The following table illustrates the impact of a 10% strengthening of the United States Dollar against the Australian Dollar, Canadian Dollar and Swiss Franc on the loss before income tax of the Group based on the foreign currency denominated financial assets and liabilities.

A weakening of the United States Dollar exchange rates has an equal and opposite effect on the Group's loss before income tax, all other variables held constant.

	31 December 2023	31 December 2022
	$	$
Australian Dollar	**387,518**	127,295
Canadian Dollar	**(90,294)**	(48,003)
Swiss Franc	**(24,043)**	(37,444)

The Group does not apply hedge accounting to these transactions. The implications of this decision are that unrealised foreign exchange gains and losses are recognised in profit or loss in the period in which they occur.

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25 Financial risk management (continued)

Market risk (continued)

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-USD currencies and expected cash reserves in that currency.

(iii) Interest rate risk

The Group is not exposed to any material interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of previous sales and the corresponding historical credit losses experienced.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due.

The Group prepares detailed operating budgets forecasting operational cash requirements. Management monitors cash balances and operating budgets to ensure sufficient cash is on hand to meet operational requirements and service its working capital.

Maturities of financial liabilities

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal

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25 Financial risk management (continued)

Liquidity risk (continued)

their carrying amounts as the impact of discounting is not significant.

	Carrying Amount	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total
31 December 2023 US$						
Trade and other payables	3,087,688	3,087,688	-	-	-	3,087,688
Borrowings	3,892,754	505,269	505,269	4,327,847	-	5,338,385
Derivative financial instruments	69,232	-	-	69,232	-	69,232
31 December 2022 US$						
Trade and other payables	2,326,070	2,326,070	-	-	-	2,326,070
Borrowings	3,711,781	531,297	533,395	5,009,453	-	6,074,145
Derivative financial instruments	349,470	-	-	349,470	-	349,470

26 Share-based payments

During 2021, the Group established a new Equity Share Option Plan (ESOP), which was approved by shareholders at a meeting on 19 October 2021. The ESOP is designed to provide long-term incentives for senior management to deliver long-term shareholder returns. Under the ESOP, participants are granted options and/or performance rights which only vest if certain performance conditions are met. Participation in the ESOP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. When exercisable, each option or performance right is convertible into one ordinary share.

During the current year, key management personnel were issued a combined total of 14,737,976 options.

Options granted during the current and prior year are summarised below:

	Year Option Issued	
Description	**2023**	**2022**
Director options	**-**	232,142
New KMP Options	**14,737,976**	-
Total	**14,737,976**	232,142

Options cancelled during the current and prior year are summarised below:

	Year Option Cancelled	
Description	**2023**	**2022**
Class A options	**3,220,000**	-
Class B options	**2,960,000**	-
Class C options	**4,640,000**	-
Class D options	**4,640,000**	-
Class E options	**4,640,000**	-
Broker options	**-**	-
Director options	**-**	
Historical KMP options	**600,000**	-
Total	**20,700,000**	-

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26 Share-based payments (continued)

Set out below are summaries of historical options granted and new options granted under the ESOP:

	2023 Average exercise price per share option $	2023 Number of options	2022 Average exercise price per share option $	2022 Number of options
As at 1 January	AUD 0.468	38,921,761	AUD 0.48	38,689,619
Modifications during the year	-	-	-	-
Granted during the year	AUD 0.043	14,737,976	AUD 0.476	232,142
Exercised during the year	-	-	-	-
Cancelled during the year	AUD 0.486	20,700,000	-	-
As at 31 December	AUD 0.264	32,959,737	AUD 0.468	38,921,761
Vested and exercisable at 31 December	AUD 0.257	31,907,890	AUD 0.44	25,959,736

No options expired during the periods covered by the above tables.

Options outstanding

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise price AUD$	Share options 31 December 2023	Share options 31 December 2022
31 Aug 19	31 Aug 24 - 31 Aug 28	0.20 - 0.29	5,020,000	5,620,000
1 Jan 19	10 Jan 29 - 30 Apr 29	0.45	1,314,446	1,314,446
14 Jan 19	13 Jan 29	0.45	2,520,212	2,520,212
3 May 19	2 May 29	0.45	713,497	713,497
14 Sep 18	14 Sep 28	1.34	956,664	956,664
19 Oct 21	1 Dec 26	0.29 - 0.73	2,000,000	22,100,000
19 Oct 21	1 Dec 24	0.51 - 0.65	3,000,000	3,000,000
3 Dec 21	1 Dec 26	0.29 - 0.73	2,464,800	2,464,800
27 May 22	22 Jul 27	0.476	232,142	232,142
1 Aug 23	29 Aug 28	0.0432	14,737,976	-
29 Sep 23	31 Dec 25	0.07	46,612,138	-
			79,571,875	38,921,761
Weighted average remaining contractual life of options outstanding at the end of the year			2.64	3.81

* 29 September 2023 were options granted during the placement offering

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26 Share-based payments (continued)

Options outstanding (continued)

(i) Fair value of new KMP options granted in 2023

The assessed fair value at grant date of new options granted to key management personnel during the year ended 31 December 2023 was A$0.028 per option. Options were granted to the key management personnel for no consideration and vested immediately with no further conditions. The fair value at grant date was determined using a Black-Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate. The model inputs for new options granted during the year ended 31 December 2023 included:

a) Exercise price: A$0.0432
b) Grant date: 1 August 2023
c) Expiry date: 29 August 2028
d) Share price at grant date: A$0.04
e) Expected price volatility of the Company's shares: 87%
f) Expected dividend yield: 0%, and
g) Risk free interest rate: 4.26%

The expected price volatility was based on a calculation of the historic volatility of Hydralyte's share price.

(ii) Fair value of options granted in 2022

The assessed fair value at grant date of options granted to the directors during the year ended 31 December 2022 was A$0.117 per option. The fair value at grant date was determined using a Black-Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate.

The model inputs for options granted during the year ended 31 December 2022 included:
a) Options were granted to the directors for no consideration and have the following vesting conditions:
   i. Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion), being the three-year anniversary of the date of issue of the options
a) Exercise price: A$0.476
b) Grant date: 27 May 2022
c) Expiry date: 22 July 2027
d) Share price at grant date: A$0.25
e) Expected price volatility of the Company's shares: 72%
f) Expected dividend yield: 0%, and
g) Risk free interest rate: 2.71%

The expected price volatility was based on a calculation of the historic volatility of Hydralyte's share price.

(iii) Fair value of options granted in 2021

The assessed fair value at grant date of options granted during the year ended 31 December 2021 ranged between A$0.12 - A$0.18 per option. The fair value at grant date was independently determined using a Black-Scholes Model.

The model inputs for options granted during the year ended 31 December 2021 included:

a) Options were granted for no consideration and have various vesting conditions:

- Class A options have the following vesting conditions:
  i. The Company being admitted to the official list of ASX on or before 31 December 2021
  ii. Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion)
  iii. Board approval of the satisfaction of the FY2021 Revenue Condition (i.e. Group audited revenue for 2021 must be at least 30% more than the Group audited revenue for 2020) after lodgement of the audited 2021 financial statements.

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26 Share-based payments (continued)

Options outstanding (continued)

These vesting conditions were met and the Class A options vested during the prior year.

- Class B, C, D and E options have tranche vesting over 3 years and have the following vesting conditions:
  i. The Company being admitted to the official list of ASX on or before 31 December 2021
  ii. Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion). One third of the Class B, C, D and E options vested during December 2022.

- Options issued to Directors and advisors vested immediately with no further conditions.

b) Exercise price: ranging from A$0.29 – A$0.73
c) Grant date: 19 October 2021 for Directors, advisors and key management personnel, 3 December 2021 for other employees
d) Expiry date range: 1 December 2024 - 1 December 2026
e) Share price at grant date: A$0.29
f) Expected price volatility of the Company's shares: 70% - 75%
g) Expected dividend yield: 0%, and
h) Risk-free interest rate: 0.14% - 0.59%

The expected price volatility was based on a calculation of the historic volatility of broadly comparable listed companies.

(iv) Fair value of performance rights granted in 2021

The Company granted 6,288,028 performance rights in 2021. These grants relate to reward for the Company's performance in 2021 and prior (the Tranche A Award) and incentivisation for future performance (the Tranche B Award). Each performance right will be exercisable for one ordinary share for nil exercise price.

The following table shows the performance rights granted and outstanding at the beginning and end of the reporting period:

As at 1 January 2023	3,469,600
Granted during the year	-
Vested and exercised during the year	(562,833)
Changes in lieu of allocation	(548,633)
Forfeited during the year	-
As at 31 December 2023	2,358,134

The weighted average remaining contractual life of the performance rights outstanding at the end of the year is 2 years.

The assessed fair value at grant date of performance rights granted during the year ended 31 December 2021 was A$0.29. On the basis that no dividends are expected to be paid over the life of the instruments, the fair value of the rights was determined as the share price as at the valuation date.

The performance rights granted under the Tranche A Award are subject to satisfaction (or waiver) of all of the following vesting conditions:

i. The Company being admitted to the official list of ASX on or before 31 December 2021
ii. Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion)
iii. Board approval of the satisfaction of the FY2021 Revenue Condition (i.e. Group audited revenue for 2021 must be at least 30% more than the Group audited revenue for 2020) after lodgement of the audited 2021 financial statements.

These vesting conditions were met and the Tranche A performance rights vested during the prior year.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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26 Share-based payments (continued)

Options outstanding (continued)

The performance rights granted under the Tranche B Award are subject to satisfaction (or waiver) of all of the following vesting conditions:

i. The Company being admitted to the official list of ASX on or before 31 December 2021
ii. Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion)
iii. Satisfaction of the Tranche B Revenue Condition.

The Tranche B Revenue Condition relates to the Group audited revenue for the periods FY2022 to FY2024 (inclusive). One third of a participant's total available number of performance rights under the Tranche B Award relates to each financial year in the three year period and those performance rights will vest as follows:

- one third of a financial year's total award potential will vest if a Minimum Threshold is met;
- two thirds of a financial year's total award potential will vest if a Medium Threshold is met; and
- all of a financial year's total award potential will vest if a Maximum Threshold is met.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2023	2022
	$	$
Expenses related to options	**846,116**	1,125,966
Expenses related to performance rights	**187,406**	589,930
Expenses related to issue of shares - Shay Mitchell	**83,333**	416,667
Total	**1,116,855**	2,132,563

Celebrity partner Shay Mitchell was issued 1,180,833 shares last year as part of her contracted agreement.

27 Loss per share

Basic and diluted earnings/(loss) per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	2023	2022
	$	$
Basic and diluted earnings/(loss) per share	(0.04)	(0.07)
Loss for the year used in the calculation	8,102,378	10,607,166
Weighted average number of ordinary shares	195,129,031	162,680,426

Directors' Declaration

In the directors' opinion:

a. the financial statements and notes, set out on pages 15 to 47 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date, and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors

....

George Livery

Melbourne

Dated this 28th day of March 2024

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Independent auditor's report

To the members of The Hydration Pharmaceuticals Company Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Hydration Pharmaceuticals Company Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2023
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of US$8,102,378 and had net cash outflows from operating activities of US$5,729,705 for the year ended 31 December 2023, and is dependent on generating sufficient funds from its operating activities and successfully securing access to the additional tranches of its loan facility, which is subject to various conditions, and/or securing new funding through the continued support of its current lenders or from other sources as the Group seeks a sale of the business or divestment of assets. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter(s) described in the *Material uncertainty related to going concern* section, we have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of The Hydration Pharmaceuticals Company Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Graeme McKenna
Partner

Melbourne
28 March 2024

Shareholder Information

The following information was applicable as at 5 March 2024.

1. Corporate Governance Statement

The Corporate Governance Statement can be found at https://hydralyte.com/pages/investors

2. Substantial Shareholders

The following holders are registered by HPC as a substantial holder of the voting shares below:

Holder Name	Number of ordinary shares [1]	% of issued capital [2]
Regal Funds Management Pty Ltd	27,702,067	10.84%
Woobinda Nominees Pty Limited <The Woobinda Family A/C>	26,901,678	10.53%
PURE Asset Management Pty Ltd ATF <The Income and Growth Fund>	22,812,991	9.58%
One Funds Management Ltd ATF Saville Capital Emerging Companies Fund	12,068,966	7.50%

[1] As disclosed in the last notice lodged with the ASX by the substantial shareholder.
[2] The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

3. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	644
Unlisted Options (**Options**)	150
Performance Rights	11
Warrants	1

4. Voting Rights

Securities	Voting Rights
Ordinary Shares	Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders: (a) each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative; (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.
Options	Options do not carry any voting rights.
Performance Rights	Performance Rights do not carry any voting rights.
Warrants	Warrants do not carry any voting rights.

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Shareholder Information

5. Distribution Schedule

Ordinary Shares

Spread of Holdings	Holders	Securities	%
1 - 1,000	34	14,547	0.01%
1,001 - 5,000	105	273,580	0.10%
5,001 - 10,000	65	514,586	0.19%
10,001 - 100,000	236	10,445,772	3.94%
100,001 - 9,999,999,999	206	253,893,319	95.76%
Totals	**644**	**265,141,804**	**100.00%**

Options

Spread of Holdings	Holders	Securities	%
1 - 1,000	11	4,309	0.00%
1,001 - 5,000	14	34,059	0.03%
5,001 - 10,000	12	86,956	0.09%
10,001 - 100,000	44	1,737,661	1.72%
100,001 - 9,999,999,999	69	99,446,443	98.16%
Totals	**150**	**101,309,428**	**100.00%**

Performance Rights

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	9	384,800	16.32%
100,001 - 9,999,999,999	2	1,973,334	83.68%
Totals	**11**	**2,358,134**	**100.00%**

Warrants

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
100,001 - 9,999,999,999	1	14,942,533	100.00%
Totals	**1**	**14,942,533**	**100.00%**

6. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
5 March 2024	$0.16	296

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Shareholder Information

7. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 68.12% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	36,950,920	13.94%
2.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	27,325,447	10.31%
3.	WOOBINDA NOMINEES PTY LTD <THE WOOBINDA FAMILY A/C>	26,901,678	10.15%
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,453,824	7.71%
5.	SUPER RADEK PTY LTD <SUPER RADEK SUPER FUND A/C>	12,316,113	4.65%
6.	PAUL ORLIN	7,732,978	2.92%
7.	343 PTY LTD <343 CAPITAL A/C>	7,126,416	2.69%
8.	BINVID PTY LTD <B&D SUPER FUND A/C>	6,332,787	2.39%
9.	CITICORP NOMINEES PTY LIMITED	5,470,977	2.06%
10.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	4,157,435	1.57%
11.	BW EQUITIES PTY LTD	4,143,104	1.56%
12.	MR CARLO CHIODO	2,941,553	1.11%
13.	FF INVESTMENTS NZ LIMITED	2,901,462	1.09%
14.	GOWINGS WHALE FUND PTY LTD <GOWINGS WHALE A/C>	2,797,992	1.06%
15.	ANKARA HOLDINGS PTY LTD <THE ANKARA FAMILY A/C	2,562,389	0.97%
16.	TAHMEDIA PTY LTD	2,329,307	0.88%
17.	ILWELLA PTY LTD <NO 2 A/C>	2,300,000	0.87%
18.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,979,253	0.75%
19.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,968,166	0.74%
20.	RICHJAC PTY LTD	1,843,263	0.70%
		180,535,064	**68.12%**

8. Company Details

<u>Company secretary</u>: Victoria Alexis Nadalin

<u>Principal place of business</u>:

Level 2, 6 Palmer Parade, Cremorne VIC 3121

<u>Registered Office (Australia)</u>: c/- cdPlus Corporate Services Pty Ltd, Level 42, 525 Collins Street, Rialto South Tower, Melbourne VIC 3000

<u>Telephone</u>: 03 9614 2444

<u>Address of where the register is kept</u>: Automic Pty Ltd, Level 5, 126 Phillip Street, Sydney, NSW 2000

<u>Telephone of where the register is kept</u>: 1300 288 664, +61 2 9698 5414 (International telephone)

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Shareholder Information

Other stock exchange where the entities equity securities are quoted: N/A

9. Restricted Securities

There are no shares on issue that are subject to mandatory or voluntary escrow restrictions under ASX Listing Rules Chapter 9.

10. Unquoted Securities

Options

The following Options over unissued ordinary shares are on issue:

Class	Date of Expiry	Exercise Price	Number of Options
Unlisted Options	14/09/2028	AUD$1.3382	956,664
Unlisted Options	10/01/2029	AUD$0.4482	7,474
Unlisted Options	13/01/2029	AUD$0.4482	2,594,951
Unlisted Options	15/01/2029	AUD$0.4482	74,739
Unlisted Options	16/01/2029	AUD$0.4482	134,531
Unlisted Options	17/01/2029	AUD$0.4482	19,432
Unlisted Options	21/01/2029	AUD$0.4482	178,767
Unlisted Options	22/01/2029	AUD$0.4482	35,874
Unlisted Options	23/01/2029	AUD$0.4482	351,275
Unlisted Options	24/01/2029	AUD$0.4482	258,240
Unlisted Options	30/04/2029	AUD$0.4482	179,375
Unlisted Options	02/05/2029	AUD$0.4482	713,497
Unlisted Options	31/08/2024	AUD$0.1982	1,206,667
Unlisted Options	31/08/2024	AUD$0.2282	666,667
Unlisted Options	31/08/2024	AUD$0.2482	666,666
Unlisted Options	01/12/2026	AUD$0.2882	759,600
Unlisted Options	31/08/2024	AUD$0.2882	580,000
Unlisted Options	01/12/2026	AUD$0.4382	568,400
Unlisted Options	01/12/2026	AUD$0.5782	568,400
Unlisted Options	01/12/2026	AUD$0.7282	568,400
Unlisted Options	31/08/2024	AUD$0.1982	1,600,000
Unlisted Options	01/12/2026	AUD$0.2882	2,000,000
Unlisted Options	31/08/2024	AUD$0.2882	300,000
Unlisted Options	01/12/2024	AUD$0.5082	1,500,000
Unlisted Options	01/12/2024	AUD$0.6482	1,500,000
Unlisted Options	22/07/2027	AUD$0.4742	232,142
Unlisted Options	31/12/2025	AUD$0.0700	46,612,138
Unlisted Options	29/08/2028	AUD$0.0432	14,737,976
Unlisted Options	01/03/2029	AUD$0.0160	21,737,553
			101,309,428

No holder holds more than 20% of Options in the Company outside of an employee incentive scheme.

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Shareholder Information

Performance Rights

There is a total of 2,358,134 unlisted performance rights on issue.

The number of performance right holders is 11.

No holder holds more than 20% of performance rights in the Company outside of an employee incentive scheme.

Warrants

There is a total of 14,942,533 unlisted warrants on issue.

The number of warrant holders is 1.

The following holder hold more than 20% of the Warrants in the Company:

Rank	Holder Name	Warrants	%
1	PURE ASSET MANAGEMENT PTY LTD <INCOME AND GROWTH FUND A/C>	14,942,533	100.00%

11. Share Buy-Backs

There is no current on-market buy-back scheme.

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