

Company Announcement  
ASX: HPC

DATE: 26/4/2024

### Waiver of ASX Listing Rule 10.1 Granted

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“Hydralyte” or “the Company”) refers to its announcement dated 27 March 2024 (“**27 March 2024 Announcement**”) where the Company advised that it had signed a variation to its facility agreement with boutique asset manager and existing substantial shareholder PURE Asset Management Pty Ltd as trustee for The Income and Growth Fund (“**PURE**” or “**PURE Asset Management**”) (“**Original PURE Facility**”).

All capitalised terms in this announcement have the same meaning as defined in the 27 March 2024 Announcement.

Under the terms of the variation (“**Amended PURE Facility**”), Hydralyte secured A\$1.7m in new funding and two additional tranches, valued at A\$1.5m each, which can be accessed at the discretion of PURE. A condition precedent to the Amended PURE Facility becoming effective (and thus access to the additional funding under the Amended PURE Facility becoming available), was the requirement of a waiver of Listing Rule 10.1 in order to vary the Original PURE Facility.

Hydralyte is pleased to advise that on 24 April 2024 ASX granted a waiver of Listing Rule 10.1 to allow the Company to amend the Original PURE Facility without shareholder approval in accordance with the terms of the Amended PURE Facility, and to secure its obligations under the Amended PURE Facility.

#### **Material terms of the Amended PURE Facility**

The material terms of the Amended PURE Facility are set out below (consistent with the disclosure provided in the 27 March 2024 Announcement).

<b>Key Term</b>	<b>Original PURE Facility</b>	<b>Amended PURE Facility</b>
Commitment amount	<p>First Loan of \$6.5 million (drawn-down on 10 November 2022).</p> <p>Second Loan of \$5.5 million, available until 31 December 2024 at PURE’s discretion.</p>	<p>First Loan of \$6.5 million (drawn-down on 10 November 2022).</p> <p>Second Loan of \$5.5 million, available until 31 December 2024 subject to PURE’s discretion.</p> <p>Third Loan of \$1.7 million, available subject to the Amended PURE Facility taking effect.</p> <p>Fourth and Fifth Loans, each of \$1.5 million, available subject to the Amended PURE Facility taking effect and subject also to PURE’s discretion, available up until 31 December 2024.</p>

Key Term	Original PURE Facility	Amended PURE Facility
Interest rate	Interest payable quarterly at a rate of 10.0% per annum.	Interest payable quarterly at a rate of 15.0% per annum.
Default interest rate	Default interest rate of 15.0%.	On and from the date of a 'Review Event' or 'Event of Default (other than a Material Default)', 15.0%.  If a Material Default occurs, an interest rate of 30.0% will apply on and from drawdown of the Third Loan.
Material Default	Not applicable.	Material Default comprises: <ul style="list-style-type: none"> <li>- non-payment of amounts owing under the Amended PURE Facility (provided that any non-payment prior to 30 June 2024 does not constitute a material default if PURE is satisfied that the Company has taken steps to progress a Sale Transaction;</li> <li>- insolvency of a member of the Company Group;</li> <li>- insolvency proceedings are initiated against a member of the Company Group; and</li> <li>- a creditor's process affects any asset or assets of the Company Group with an aggregate value of \$250,000 or more and is not discharged within 5 business days.</li> </ul>
Capitalisation of interest	Not applicable.	The parties agree that: <ul style="list-style-type: none"> <li>- 50% of the interest payable on the First Loan; and</li> <li>- 100% of the interest payable on the Third Loan,</li> </ul> may be capitalised and added to the amount owing under the relevant Loan ( <b>Capitalised Interest</b> ), provided that there is no default or review event subsisting at the time.
Right to convert Capitalised Interest	Not applicable.	Subject to the ASX Listing Rules (including Listing Rule 7.1) and the Corporations Act, the Capitalised Interest must be converted into fully paid ordinary shares ( <b>Shares</b> ) on the last day of each interest period and issued to PURE (or nominee). This will cease to apply on the earlier of the occurrence of a Material Default and PURE giving written notice to

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		<p>the Company that the Capitalised Interest will not be so converted (at its discretion).</p> <p>Capitalised Interest will be converted to Shares at an effective issue price representing the volume weighted average price of Shares over the 10 trading days on which trades were recorded prior to the date of the conversion (<b>10 Day Trailing VWAP</b>).</p> <p>A total of approximately 12 months' worth of Capitalised Interest will be prepaid via the Interest Prepayment Amount to PURE or nominee (see directly below).</p> <p>Any further Capitalised Interest may only be settled via the issue of Shares:</p> <ul style="list-style-type: none"> <li>provided that PURE's relevant interest in Shares does not exceed 19.99% as a result of the issuance (or to the extent permitted under the 'creep' provision in item 9 of section 611 of the Corporations Act); and</li> <li>to the extent that the Company has available capacity under Listing Rule 7.1 at the time (or has sought shareholder approval for the issue under Listing Rule 7.1),</li> </ul> <p>failing which the Capitalised Interest will not be settled via the issue of Shares and the amount owing to PURE will increase accordingly.</p>
Prepayment of interest	Not applicable.	<p>The Company is required to prepay PURE an amount of interest equal to \$742,500 (<b>Interest Prepayment Amount</b>).</p> <p>Subject to the ASX Listing Rules (including Listing Rule 7.1) and the Corporations Act, the Company must satisfy the Interest Prepayment Amount via the issue of Shares to PURE (or nominee) at the 10 Day Trailing VWAP (failing which the Interest Prepayment Amount will capitalise).</p> <p>The Company may only issue Shares to PURE (or nominee) in satisfaction of the Interest Prepayment Amount such that</p>

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		PURE's relevant interest in Shares does not exceed 19.99%. PURE currently holds a relevant interest in 11.4% of the Company's issued Shares (being 30,284,252 Shares). The Company expects that it will have sufficient available capacity under Listing Rule 7.1 (current capacity – 39,771,270 Shares) to issue Shares to PURE up to the 19.99% cap. The balance of the Interest Prepayment Amount that is not able to be satisfied via the issue of Shares (without PURE's relevant interest exceeding 19.99%) will be capitalised.
Minimum cash balance	US\$750,000.	AUD\$250,000.
Financial covenant	Review Event: Gross Profit of the Group for a quarter is less than US\$1 million.  Event of Default: Gross Profit of the Group for a quarter is less than US\$750,000.	Unchanged.
Prepayment fee	Not applicable.	The Company must pay a Prepayment Fee on the earliest to occur of: <ul style="list-style-type: none"> <li>- the Amended PURE Facility being terminated;</li> <li>- the amount owing being repaid in full;</li> <li>- the amount owing becoming due and payable (including as a result of PURE exercising its rights).</li> </ul> The Prepayment Fee is 12 months' worth of interest on the Third Loan (and Fourth Loan and Fifth Loan, if applicable), less any interest actually paid on those Loans.
Indemnification in relation to Second Warrant Deed	Not applicable.	If the Warrants are not issued under the Second Warrant Deed (see below) by 31 May 2024, or if there is a Material Default prior to the issue of the Warrants, PURE is indemnified for the full economic value of the Warrants (including the Warrant Cancellation Fee).
Repayment Date	48 months after utilisation of the First Loan (ie 10 November 2026).	Unchanged.

The Amended PURE Facility is secured by a first-ranking general security over all present and after-acquired property of the Company and each Group entity in all relevant jurisdictions.

### **Amendments to General Security Deed**

In conjunction with entering into the Amended PURE Facility, the parties have agreed the following variations to the General Security Deed between PURE and each HydraLyte Group Company dated 15 October 2022 (“**GSD**”).

- (a) Security limited to amounts owing under Amended PURE Facility: a provision that expressly confirms that the ‘Security’ granted under the GSD is limited to amounts owing under the Amended PURE Facility (being the **Secured Moneys**) has been inserted.
- (b) Discharge: the ‘Security’ will be discharged once the Secured Moneys due under the Amended PURE Facility have been repaid in full.
- (c) Disposal of assets: a provision has been inserted which requires that, in the event that the ‘Security’ is enforced, the assets can only be disposed to PURE or an associate of PURE if the disposal is first approved by the Company’s shareholders under Listing Rule 10.1.
- (d) Appointment of receiver: if PURE exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the GSD, the assets must be sold to an unrelated third party on arm’s length commercial terms and the net proceeds of sale distributed to PURE in accordance with its legal entitlements.

### **Second Warrant Deed**

In conjunction with the Amended PURE Facility, a ‘Second Warrant Deed’ has been entered into between the Company and PURE. The material terms of the Second Warrant Deed are set out in the 27 March 2024 Announcement.

### **Rationale for the Amended PURE Facility**

As announced in the 27 March 2024 Announcement, the Company 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 Company 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 Company (“**Sale Transaction**”) to maximise shareholder returns. PURE has agreed to vary the Original PURE Facility in order to advance the Company an additional A\$1.7m (for a total of A\$8.2m of senior secured debt which would be owed to PURE), in order to fund the business while it seeks a Sale Transaction for the benefit of all stakeholders.

The Company has chosen to amend the Original PURE Facility in order to obtain the ‘Third Loan’ from PURE, rather than a lender that is not a Listing Rule 10.1 party, because the Company is unable to raise any meaningful level of equity or debt capital from existing shareholders or new investors in the time period required. After assessing a range of

options, the Board considers that the debt being provided by PURE is the only funding available within the current time requirements. The Board considers that the terms of the Amended PURE Facility are fair and reasonable for shareholders in the circumstances. The Amended PURE Facility and GSD has been negotiated between the Company and PURE on arm's length terms as evidenced by the material terms of the Amended PURE Facility.

The Company will ensure that any variation to the terms of the Amended PURE Facility or the GSD which advantages PURE in a material respect, disadvantages the Company in a material respect, or is inconsistent with the terms of the waiver granted to the Company, must be subject to security holder approval under Listing Rule 10.1.

For each year that the Amended PURE Facility remains on foot, a summary of the material terms of the financial accommodation and the security will be included in the related party disclosure of the Company's audited annual accounts.

## **ENDS**

**This announcement was authorised for release by the Board of HydraLyte.**

For further information:

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