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The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Consolidated Financial Statements

For the Year Ended 31 December 2024

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

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For the Year Ended 31 December 2024

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The Hydration Pharmaceuticals Company Limited

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Directors' Report
31 December 2024

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 2024.

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	Chair effective 25 May 2024, Existing Director
Margaret Hardin	Existing Director
Nicholas Berry	Joined effective 25 May 2024
George Livery	Resignation effective 25 May 2024

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.

On the 2nd October 2024, the Group announced the completion of the divesture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries. The total proceeds of approximately US\$9.45m (A13.7m) included \$8.25m for all non-US territories plus \$1.19m for stock and inventory (subject to final adjustments). The Group retained full ownership of its US-based operations. Following this divesture of non-US assets, the Group was able to pay down all its debt and focus on driving growth and unlocking value from its US-based assets and operations.

Operating results

The consolidated profit of the Group amounted to \$2,667,533 (2023: loss of \$8,102,378).

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.

On the 2nd October 2024, the Group announced the completion of the divesture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries. The Group retained full ownership of its US-based operations.

Directors' Report

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Significant changes in state of affairs

Variation to Facility Agreement with PURE Asset Management

On the 27th March 2024, the Group executed a variation of the Facility Agreement in place with PURE Asset Management, as indicated in last year's 31 December 2023 Directors' Report (See ASX announcement 27 March 2024). The variation provided 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 variation also included the potential for two additional tranches valued at A\$1.5m each, accessible at the discretion of PURE Asset Management. In conjunction with this variation, a 'Second Warrant Deed' was entered into between the Group and PURE Asset Management, issuing 85,000,000 warrants in connection with the Third Loan "Third Tranche Warrants" as detailed in the ASX announcement 27 March 2024.

The new funding was used to seek to implement a sale of the Company or the Company's business for the benefit of stakeholders.

Divestiture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries

On the 2nd October 2024, the Group announced the completion of the divestiture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries. The total proceeds of approximately US\$9.45m (A\$13.7m) included \$8.25m for all non-US territories plus \$1.19m for stock and inventory (subject to final adjustments). The Group retained full ownership of its US-based operations.

The Group agreed to a Transition Services Agreement to provide services to Prestige Consumer Healthcare Inc for a period of 180 days which may be extended by an additional up to 180 days. The transition services include accounting, receivables and collections, procurement and accounts payable, inventory and logistics services, IT services and product sales and marketing. The Group will be paid a fixed amount totalling US\$60,000 per month, which covers a material amount of the Group's corporate overheads during the term.

Following this divestiture of non-US assets, the Group's focus is on driving growth and unlocking value from its US-based assets and operations.

Repayment of existing Pure Asset Management Debt Facility

With the funds from the divestiture, the Group repaid its existing A\$8.2m debt facility owed to Pure Asset Management with the remaining cash at bank used towards closing and restructure costs and advancing operations in the US market. The Company is focused on achieving scale and cashflow breakeven in the US, targeting profitability in the future.

Resignation of Chief Financial Officer Chris Kavanaugh

Following the divestiture of non-US assets, the Group's Chief Financial Officer Chris Kavanaugh tendered his resignation effective January 2025.

Events after the reporting date

Subsequent to the end of the financial year.

On 3rd January 2025, Chris Kavanaugh (CFO) departed the Group. Matthew Ng, previously VP of Operations for the Group will lead a new cost effective Australian based finance department.

On 31st January 2025, the Group stopped shipping Canadian products on Prestige's behalf.

On 15th February 2025, the Group formally ceased financial reporting on Prestige's behalf.

On 18th March 2025, the Group announced a Strategic Placement and Rights Issue to raise up to A\$1.25m with the appointment of a new Director.

- Strategic Placement: A\$650,000 was raised via strategic placement to Mr Joseph Constable and another investor via the issue of 65,000,000 new fully paid ordinary shares at \$0.01 per share (Offer Price). The securities were issued on 26th March 2025. Mr Constable was formerly an Executive Director at Hancock & Gore, and is an experienced company Director. Mr Constable is to be appointed as a Non-Executive Director of HPC.
- Rights Issue: An additional 1 for 5 Rights Issue to raise up to an additional ~\$610,000 at the Offer Price was announced to the market. PURE, the Company's largest shareholder, has committed to subscribe for its full entitlement under the Rights Issue, representing approximately ~\$122,000 of proceeds.

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.

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Directors' Report

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Likely developments and expected results of operations

The directors expect that the Group will continue to carry out its principal activities as detailed above.

The Board continues to consider a range of strategic transactions. The Company has had discussions with a range of potential counterparties in respect of strategic transactions and discussions are continuing. The Board cautions that 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.

Margaret Hardin

Margaret 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.

Nicholas Berry

Nick Berry brings over 19 years of experience in the Australian finance industry, specialising in equity and debt capital markets, mergers and acquisitions and strategic planning. With a proven track record in raising capital and structuring and negotiating complex financial transactions, Nick has demonstrated extensive expertise and leadership in the field. He previously served as an Executive Director at Nomura Australia and is currently a Director of PURE Asset Management Pty Ltd. Nick holds a Master of Engineering (MEng) from the University of Bath and is a Graduate of the Australian Institute of Company Directors.

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Directors' Report

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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 2024, and the number of meetings attended by each director were:

Board Meetings		Audit, Risk & Compliance Committee Meetings ⁵		Remuneration & Nomination Committee Meetings ⁶	
Entitled to attend ¹	Attended ²	Entitled to attend ¹	Attended ²	Entitled to attend ¹	Attended ²
13	12	4	4	3	3
13	13	4	4	3	3
8	8	2	2	1	1
5	5	2	2	2	2
13	-	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.
- 2) Number of meetings attended by the director.
- 3) Nicholas Berry was appointed as a non-executive director effective 25 May 2024.
- 4) George Livery resigned as a non-executive director effective 25 May 2024.
- 5) The Board dissolved the Audit, Risk and Compliance Committee in May 2024. Prior to the Audit, Risk and Compliance Committee being dissolved, two formal committee meetings were held. From June 2024 to the end of the Reporting Period, the Company held two additional Audit, Risk and Compliance Committee meetings.
- 6) The Board dissolved the Nomination & Remuneration Committee in May 2024. Prior to the Nomination & Remuneration Committee being dissolved, two formal committee meetings were held. From June 2024 to the end of the Reporting Period, the Company held one additional Nomination & Remuneration Committee meeting.

Company secretary

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

Victoria Nadalin continued her role as Company Secretary throughout the financial year. Victoria was appointed last financial year 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.

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*.

Directors' Report

31 December 2024

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	Chair, Non-Executive Director	Appointed as Chair 25 May 2024
Margaret Hardin	Independent, Non-Executive Director	
Nicholas Berry	Non-Executive Director	Appointed 25 May 2024
George Livery	Independent, Non-Executive Director	Resigned 25 May 2024
Key Management Personnel		
Oliver Baker	CEO	
Chris Kavanaugh	CFO	Announced Resignation effective January 2025

(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

2024 Annual incentives were focused on selling part or all of the company with 100% of fixed remuneration for the CEO and 80% for the CFO given likely risk to jobs post sale or downsizing.

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

Directors' Report

31 December 2024

Remuneration report (continued)

Remuneration framework (continued)

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).

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 2024 performance and impact on remuneration

The Group's performance in 2024 was focused on selling part or all of the company in order to pay down debt. The CEO/CFO in particular were instrumental in orchestrating a successful divestiture of non-US assets and was able to achieve 70% of his bonus, having sold approximately 75% of the value of the company.

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Directors' Report

31 December 2024

Remuneration report (continued)

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 2024 financial year.

	Revenue	Net (Loss)/ Profit	Share Price at Balance Sheet Date	Profit/(Loss) per Share
	US\$	US\$	A\$	US\$
2024	8,726,507	2,667,533	0.02	0.01
2023	10,041,184	(8,102,378)	0.02	(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)

*Shares at 31 December 2020 were unlisted.

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

(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			Total
	Cash salary and fees	Health and other Insurance	Superannuation contribution	Cash bonus**	Options/ Performance Rights*****	Other***	
2024	\$	\$	\$	\$	\$	\$	\$
Directors							
Adem Karafili	66,158	-	-	-	1,383	-	67,541
Margaret Hardin	51,933	-	-	-	1,383	-	53,316
George Livery****	31,088	-	-	-	-	-	31,088
Nicholas Berry	27,055	-	-	-	-	-	27,055
Key Management Personnel							
Oliver Baker	320,788	36,742	13,032	250,000	161,088	7,152	788,802
Chris Kavanaugh	225,332	36,764	9,120	127,410	77,605	19,025	495,256
	<u>722,354</u>	<u>73,506</u>	<u>22,152</u>	<u>377,410</u>	<u>241,459</u>	<u>26,177</u>	<u>1,463,058</u>

** Cash bonus relates to successful company divestiture of non-US assets.

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

**** Resigned on 25 May 2024.

***** Performance Rights value calculated on issue price AUD\$ 0.29

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Remuneration report (continued)

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

	Fixed Remuneration			Variable Remuneration			Total
	Cash salary and fees	Health and other Insurance	Superannuation contribution	Cash bonus	Options/ Performance Rights*****	Other***	
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

* Resigned on 26 September 2023.

(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\$320,000 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.

Directors' Report

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Remuneration report (continued)

(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 and updated in February 2024.

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 2024, there was one grant of options to Key Management Personnel. This section of the report covers information related to the grants under the ESOP.

(i) New options awarded to Key Management Personnel in 2024

The following options were awarded to Key Management Personnel on 1 March 2024 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	10,872,456	1-Mar-24	\$ 0.0087	\$ 0.016	1-Mar-29	10,872,456
Chris Kavanaugh	5,110,333	1-Mar-24	\$ 0.0087	\$ 0.016	1-Mar-29	5,110,333

(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	-

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Directors' Report

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Remuneration report (continued)

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

(iii) 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.

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	1,306,667
Chris Kavanaugh	1,000,000	\$ 0.29	19-Oct-21	31-Dec-25	666,667

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.

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Directors' Report

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Remuneration report (continued)

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

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

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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.

2024 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen- sa- tion	Vested during the Year	Vested %	Exercised	Cancelled No.	Can-celle d %	Other changes*	Year-end balance Vested and exercisable	Year-end balance Unvested
Oliver Baker										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	2,000,000	-	-	-	-	-	-	(2,000,000)	-	-
29-Aug-23	9,825,317	-	-	-	-	-	-	-	9,825,317	-
1-Mar-24	-	10,872,456	10,872,456	100%	-	-	-	-	10,872,456	-
Chris Kavanaugh										
19-Oct-21	-	-	-	-	-	-	-	-	-	-
31-Aug-19	180,000	-	-	-	-	-	-	(180,000)	-	-
1-Aug-23	4,912,659	-	-	-	-	-	-	-	4,912,659	-
1-Mar-24	-	5,110,333	5,110,333	100%	-	-	-	-	5,110,333	-
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
Margaret Hardin										
2-Oct-23	166,667	-	-	-	-	-	-	-	166,667	-
27-May-22	53,571	-	-	-	-	-	-	-	-	53,571
Nicholas Berry										
-	-	-	-	-	-	-	-	-	-	-

* The "Other changes" represent the options that lapsed due to the expiration of the options.

The Hydration Pharmaceuticals Company Limited

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Directors' Report

31 December 2024

Remuneration report (continued)

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

2023 Director/KMP and Grant dates	Balance at the start of the year	Granted as compen- sa tion	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	-	-	-	-	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	-
29-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

(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:

2024	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year	Other**	Balance at the end of the year
Directors						
Adem Karafili	2,562,389	-	-	-	-	2,562,389
George Livery	881,659	-	-	-	(881,659)	-
Margaret Hardin	372,463	-	-	-	-	372,463
Nicholas Berry*	60,952,123	-	-	-	-	60,952,123
Other Key Management Personnel						
Oliver Baker	1,129,212	-	-	-	-	1,129,212
Chris Kavanaugh	715,542	-	-	-	-	715,542

The Hydration Pharmaceuticals Company Limited

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Directors' Report

31 December 2024

Remuneration report (continued)

(i) Ordinary shareholdings held by Directors/KMP (continued)

	Balance at the start of the year	Shares from options exercised	Shares received on vesting of performance rights	Shares acquired during the year	Other**	Balance at the end of the year
2023						
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

* Initial Director's Interest. ASX Appendix 3X upon appointment 25 May 2024. Held under PURE Asset Management in which he is a Director.

** Other represent movements resulting from the cessation of their directorship from the Company.

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 23.

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 16.

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.

The Hydration Pharmaceuticals Company Limited

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Directors' Report

31 December 2024

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



Adem Karafili

Melbourne

Dated this 31st day of March 2025

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report The Hydration Pharmaceuticals Company Limited and Controlled Entities for the period ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A blue ink signature that appears to read "Rsm" in a cursive, stylized font.**RSM AUSTRALIA PARTNERS**A blue ink signature that appears to read "BY Chan" in a cursive, stylized font.

B Y CHAN
Partner

Dated: 31 March 2025
Melbourne, Victoria

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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The Hydration Pharmaceuticals Company Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2024

		2024	2023
	Note	\$	\$
Revenue	4	3,204,940	4,300,856
Cost of sales		(1,584,057)	(2,400,887)
Gross profit		1,620,883	1,899,969
Sales and marketing expenses		(2,768,867)	(4,442,770)
Administrative expenses		(1,322,399)	(1,842,716)
Employee benefits expense	6	(1,726,505)	(2,479,617)
Fair value movement on derivative financial instruments		(113,242)	285,933
Foreign exchange gain/(loss)		399,522	(6,235)
Finance costs	5	(1,763,666)	(642,900)
Profit/(loss) before income tax		(5,674,274)	(7,228,336)
Income tax expense	7	-	-
Profit/(loss) from continuing operations		(5,674,274)	(7,228,336)
Profit/(loss) from discontinued operations	8	8,341,807	(874,042)
Profit/(loss) for the year		2,667,533	(8,102,378)
Other comprehensive income/(loss), net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign controlled entities			
- from continuing operations		(950,761)	92,183
- from discontinued operations		650,816	(166,329)
Other comprehensive income/(loss) for the year, net of tax		(299,945)	(74,146)
Total comprehensive income/(loss) for the year		2,367,588	(8,176,524)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	28	(0.02)	(0.04)
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share	28	0.03	-
Diluted earnings/(loss) per share	28	0.02	-
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	28	0.01	(0.04)
Diluted earnings/(loss) per share	28	0.01	(0.04)

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

The Hydration Pharmaceuticals Company Limited

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Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,216,510	1,840,274
Trade and other receivables	10	352,688	1,748,571
Inventories	11	1,095,654	2,392,082
Other assets	12	331,499	710,492
TOTAL CURRENT ASSETS		4,996,351	6,691,419
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		4,996,351	6,691,419
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,664,394	3,064,336
Derivative financial instruments	14	568,609	69,232
TOTAL CURRENT LIABILITIES		2,233,003	3,133,568
NON-CURRENT LIABILITIES			
Provisions		21,257	23,352
Borrowings	14	-	3,892,754
TOTAL NON-CURRENT LIABILITIES		21,257	3,916,106
TOTAL LIABILITIES		2,254,260	7,049,674
NET ASSETS		2,742,091	(358,255)
EQUITY			
Contributed equity	15	39,672,837	39,328,597
Reserves	16	3,479,882	3,391,309
Accumulated losses		(40,410,628)	(43,078,161)
TOTAL EQUITY		2,742,091	(358,255)

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

The Hydration Pharmaceuticals Company Limited

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Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2024

2024

Balance at 1 January 2023

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Transactions with owners in their capacity as owners

Issue of shares

Employee share scheme

Balance at 31 December 2024

2023

Balance at 1 January 2023

Loss for the year

Other comprehensive income

Total comprehensive loss for the year

Transactions with owners in their capacity as owners

Issue of shares

Share issue transaction costs

Employee share scheme

Balance at 31 December 2023

Note	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payment Reserve \$	Total \$
	39,328,597	(43,078,161)	(1,316,670)	4,707,979	(358,255)
	-	2,667,533	-	-	2,667,533
16	-	-	(299,945)	-	(299,945)
	-	2,667,533	(299,945)	-	2,367,588
15	344,240	-	-	-	344,240
16	-	-	-	388,518	388,518
	39,672,837	(40,410,628)	(1,616,615)	5,096,497	2,742,091
	36,613,006	(34,975,783)	(1,242,524)	3,586,474	3,981,173
	-	(8,102,378)	-	-	(8,102,378)
16	-	-	(74,146)	-	(74,146)
	-	(8,102,378)	(74,146)	-	(8,176,524)
15	2,956,954	-	-	-	2,956,954
15	(241,363)	-	-	-	(241,363)
16	-	-	-	1,121,505	1,121,505
	39,328,597	(43,078,161)	(1,316,670)	4,707,979	(358,255)

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

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Consolidated Statement of Cash Flows For the Year Ended 31 December 2024

	2024	2023
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of VAT)	9,330,994	9,599,011
Payments to suppliers and employees (inclusive of VAT)	(12,518,097)	(14,800,920)
Interest paid	(691,984)	(527,796)
Net cash inflow/(outflow) from operating activities	22 (3,879,087)	(5,729,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of assets	8 9,443,885	-
Net cash inflow/(outflow) from investing activities	9,443,885	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity securities	-	2,703,779
Proceeds from borrowings	1,109,673	253,175
Transaction costs from issuance of equity securities	(23,969)	(241,363)
Repayment of borrowings	(5,154,138)	-
Net cash inflow/(outflow) from financing activities	(4,068,434)	2,715,591
Net increase/(decrease) in cash and cash equivalents	1,496,364	(3,014,114)
Cash and cash equivalents at beginning of financial year	1,840,274	4,688,191
Effects of exchange rate changes on cash and cash equivalents	(120,128)	166,197
Cash and cash equivalents at end of financial year	9 3,216,510	1,840,274

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

The Hydration Pharmaceuticals Company Limited

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

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 31 March 2025. 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 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 2024 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.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss from continuing operations of \$5,674,274 and had net cash outflows from operating activities of \$3,879,087 for the year ended 31 December 2024.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Subsequent to the divestiture of non-US assets to Prestige Consumer Healthcare Inc, the Group has undertaken a process to rationalise costs and reduce staff headcount.
- The Group has prepared cash flow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this period.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

1 Basis of preparation (continued)

Going Concern (continued)

- As announced to the market on March 18, 2025, the Group has successfully raised an additional \$AU650,000 through a strategic placement, issuing 65,000,000 fully paid ordinary shares at \$AU0.01 per share.
- In addition to the strategic placement, the Group is seeking to raise up to an additional \$AU610,000 through a pro rata entitlement offer of 1 new share for every 5 existing shares held at \$AU0.01 per share.
- The Group has demonstrated the ability to raise funds and the Directors are confident that a future fund raising, if necessary, would be successful.
- As at 31 December 2024 the Group had cash of \$3,216,510 and no debt.

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 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(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 18 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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(d) Income tax (continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

2 Summary of material accounting policies (continued)

(t) Parent entity financial information

The financial information for the parent entity, The Hydration Pharmaceuticals Company Limited, disclosed in note 25 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.

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.

The Hydration Pharmaceuticals Company Limited

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Notes to the Consolidated Financial Statements For the Year Ended 31 December 2024

4 Revenue

	2024	2023
	\$	\$
Revenue from contracts with customers	3,204,940	4,300,856

The Group derives its revenue from the transfer of goods at a point in time in the US region in following product lines:

	2024	2023
	\$	\$
Granules	2,275,508	2,881,573
Liquids	673,037	989,197
Tablets	256,395	430,086
Total	3,204,940	4,300,856

US revenue in decline predominately due to Rite Aid bankruptcy process, and exiting lowest profitability regions, SKUs and retailers.

5 Finance costs

	2024	2023
	\$	\$
Interest expense	1,763,666	642,900
Total	1,763,666	642,900

6 Result for the year

The result for the year includes the following specific expenses:

	2024	2023
	\$	\$
Cost of goods sold	1,212,468	1,810,595
Employee benefits expense	1,726,505	2,479,617
Expense relating to short-term leases	38,773	58,400

The employee benefits expense line includes \$143,532 of share based payments expense, refer to further details outlined in note 27.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

7 Income tax expense

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

	2024	2023
	\$	\$
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:

	2024	2023
	\$	\$
Loss from continuing operations before income tax expense	(5,674,274)	(7,228,336)
Tax at the US tax rate of 21.0% (2023 - 21.0%)	21.00%	21.00%
	(1,191,598)	(1,517,951)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Expenses not deductible for tax purposes	60,119	289,464
- Difference in overseas tax rate	(101,038)	(173,734)
- Current year temporary differences not recognised	(138,366)	1,870
- Current year tax losses not recognised	1,370,883	1,400,350
	-	-
Income tax expense	-	-

Unused tax losses for which no deferred tax asset has been recognised	36,168,020	34,797,138
Potential tax benefit	7,094,628	6,825,719

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

8 Discontinued Operations

On 2nd October 2024 the Group announced the completion of the divestiture of non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries for a total consideration of approximately US\$9.45m resulting in a gain on disposal before income tax of US\$7.96m. The Group retained full ownership of its US-based operations.

Financial Performance Information

	2024	2023
	\$	\$
Revenue	5,521,566	5,740,328
Cost of sales	(2,225,974)	(2,248,591)
Gross profit	3,295,592	3,491,737
Other income	606	-
Sales and marketing expenses	(1,818,514)	(2,404,170)
Administrative expenses	(539,832)	(710,967)
Salaries and wages	(797,061)	(1,253,345)
Forex gain/(loss)	1,333	2,703
Profit/(loss)	142,124	(874,042)
Income tax expense	-	-
Profit/(loss) after tax	142,124	(874,042)
Gain/(loss) on disposal before tax	8,199,683	-
Income tax expense	-	-
Gain/(loss) on disposal after tax	8,199,683	-
Profit/(loss) after tax from discontinued operations	8,341,807	(874,042)

Details of disposal

	2024	2023
	\$	\$
Total sale consideration	9,443,885	-
Carrying value of net assets disposed	(1,244,202)	-
Derecognition of foreign currency reserve	-	-
Disposal costs	-	-
Gain on disposal before tax	8,199,683	-
Income tax expense	-	-
Gain on disposal after tax	8,199,683	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

8 Discontinued Operations (continued)

Cash flow information

	2024	2023
	\$	\$
Net cash from/(used in) operating activities	(1,140,475)	(439,634)
Net cash from/(used in) investing activities	9,443,885	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations	8,303,410	(439,634)

Carrying amounts of assets and liabilities disposed

	2024	2023
	\$	\$
Inventories	1,244,202	-
Total assets	1,244,202	-
Net assets	1,244,202	-

9 Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and in hand	3,216,510	1,840,274
	3,216,510	1,840,274

10 Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	357,329	1,783,986
Provision for expected credit loss	(14,860)	(38,987)
Other receivables	10,219	3,572
	352,688	1,748,571

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 \$14,860 as at 31 December 2024.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

11 Inventories

	2024	2023
	\$	\$
Raw materials and consumables	121,833	372,016
Finished goods	1,083,724	2,340,357
Goods in transit	259,441	-
Provision for obsolete stock	(369,344)	(320,291)
	1,095,654	2,392,082

12 Other assets

	2024	2023
	\$	\$
Prepayments	331,499	710,492

13 Trade and other payables

	2024	2023
	\$	\$
Trade payables	277,066	1,059,467
Returns and other liabilities	211,877	359,690
Accrued expenses	1,175,451	1,645,179
	1,664,394	3,064,336

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

14 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.

On 27 March 2024, the signed a variation to its facility agreement with PURE Asset Management Pty Ltd. Under the terms of the variation, Hydralyte secured A\$1.7m in new funding.

The Group subsequently extinguished its previously held debt facility with Pure Asset Management following the divestiture of non-US assets (refer note 8).

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**).

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

14 Borrowings and derivative financial instruments (continued)

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 below.

As a part of the revisionment, In conjunction with the Amernded PURE Facility, a 'Second Warrant Deed' was entered into between the Company and PURE. The company issued 85,000,000 Warrants in connection with the Third Loan.

The Third Tranche Warrants will be exercisable for Shares at an exercise price (Third Tranche Exercise Price) representing the lower of:

- \$.02;
- 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).

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).

The Third Tranche Warrants expire and lapse if not exercised by the 4 year anniversary of the date of the Second Warrant Deed (being 27 March 2024).

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

15 Contributed equity

	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares on issue	304,913,073	265,141,804	41,098,136	40,753,896
Share issue transaction costs	-	-	(1,425,299)	(1,425,299)
	304,913,073	265,141,804	39,672,837	39,328,597

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 May 2024, 39,771,269 shares were issued as a part of the satisfaction of the Company's requirement to prepay PURE an amount of interest equal to \$742,500 under the terms of the Amended Pure Facility. A balance of \$213,867 remained after the issue and was capitalised and later paid off.

(a) Ordinary shares

	Shares	\$
Opening balance 1 January 2024	265,141,804	39,328,597
Movements during the year:		
Shares issued as satisfaction of the interest prepayment amount	39,771,269	344,240
Closing balance 31 December 2024	304,913,073	39,672,837

In March 2024, 21,737,553 options were issued. The options have an exercise price of A\$0.016 and will expire on 1 March 2029.

(i) Fair value of new KMP options granted in 2024

The assessed fair value at grant date of new options granted to key management personnel during the year ended 31 December 2024 was A\$0.0087 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 Trinomial 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 2024 included:

- Exercise price: A\$0.016
- Grant date: 1 March 2024
- Expiry Date: 1 March 2029
- Share price at grant date: A\$0.016
- Expected price volatility of the Company's shares: 84.7%
- Expected dividend yield: 0%, and
- Risk free interest rate: 4.33%

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

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

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

15 Contributed equity (continued)

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 December 2025
- 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.

Capital risk management

The Group manages its capital to ensure financial stability and support growth while maximizing shareholder value. The Company's capital consists solely of equity, including issued share capital, retained earnings, and reserves. It maintains sufficient liquidity to meet operational and strategic needs while optimizing capital allocation to support business expansion and shareholder returns. The capital structure is reviewed regularly, with adjustments made through share issuances or retained earnings as necessary to align with business objectives.

16 Reserves

(a) Share based payment reserve

	2024	2023
	\$	\$
Employee share scheme	5,096,497	4,707,979
Movements:		
<i>Employee share scheme</i>		
Opening balance	4,707,979	3,586,474
Employee share scheme	388,518	1,121,505
	5,096,497	4,707,979

During the financial year, \$370,152 (2023: \$1,033,522) of share-based payments were expensed in relation to performance rights and options granted to employees and directors. \$143,532 was expensed as detailed in note 27 and \$226,620 was awarded as part of the Employee SBP Bonus Option Issue. Refer to further details outlined in note 27.

(b) Foreign currency translation reserve

	2024	2023
	\$	\$
Opening balance	(1,316,670)	(1,242,524)
Other comprehensive income	(299,945)	(74,146)
Total	(1,616,615)	(1,316,670)

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

17 Key management personnel remuneration

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

	2024	2023
	\$	\$
Short-term employee benefits	1,199,447	1,044,492
Post-employment benefits	22,152	32,834
Share-based payments	241,459	976,231
	1,463,058	2,053,557

Detailed remuneration disclosures are provided in the remuneration report from page 5.

18 Interests in subsidiaries

Composition of the Group

	Principal place of business / Country of incorporation	Percentage Owned (%) [*] 2024	Percentage Owned (%) [*] 2023
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.

19 Related parties

(a) Parent entity

The Hydration Pharmaceuticals Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(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 17.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

19 Related parties (continued)

(d) Transactions with other related parties

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

20 Contingencies and commitments

In the opinion of the Directors, the Group did not have any contingencies or commitments as at 31 December 2024 (31 December 2023: nil).

21 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.

Operations in Canada have been discontinued (refer to note 8), and the operating results can be found therein. The remaining business continues to operate as a single segment.

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Notes to the Consolidated Financial Statements For the Year Ended 31 December 2024

22 Cash flow information

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

	2024	2023
	\$	\$
Profit/(loss) for the year	2,667,533	(8,102,378)
- Other income	(9,443,885)	-
Non-cash items in profit/(loss):		
- Foreign exchange (gain)/loss	(400,855)	3,532
- Non-cash employee benefits expense	798,577	1,033,522
- Provision for obsolete inventory	293,290	143,142
- Non-cash accrued interest	1,105,677	-
- Fair value movement on derivative financial instruments	113,242	(285,933)
- Other	-	895,558
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	1,395,882	(437,711)
- Increase/(decrease) in trade and other payables	(1,417,201)	169,986
- (Increase)/decrease in inventories	855,324	851,155
- (Increase)/decrease in other assets	245,422	(1,878)
- (Increase)/decrease in provisions	(2,094)	1,300
Net cash inflow/(outflow) from operating activities	(3,879,087)	(5,729,705)

23 Remuneration of auditors

	2024	2023
	\$	\$
Audit and review of financial reports		
- Group (RSM Australia)	80,000	-
- Group (PwC)	41,165	168,139
Total audit and review of financial reports	121,165	168,139
Other services		
- Tax compliance services (PwC)	22,000	23,500
Total other non-audit services	22,000	23,500
Total services provided	143,165	191,639

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

24 Events occurring after the reporting date

On 3rd January 2025, Chris Kavanaugh (CFO) departed the Group. Matthew Ng, previously VP of Operations for the Group will lead a new cost effective Australian based finance department.

On 31st January 2025, the Group stopped shipping Canadian products on Prestige's behalf.

On 15th February 2025, the Group formally ceased financial reporting on Prestige's behalf.

On 18th March 2025, the Group announced a Strategic Placement and Rights Issue to raise up to A\$1.25m with the appointment of a new Director.

- Strategic Placement: A\$650,000 was raised via strategic placement to Mr Joseph Constable and another investor via the issue of 65,000,000 new fully paid ordinary shares at \$0.01 per share (Offer Price). The securities were issued on 26th March 2025. Mr Constable was formerly an Executive Director at Hancock & Gore, and is an experienced company Director. Mr Constable is to be appointed as a Non-Executive Director of HPC.
- Rights Issue: An additional 1 for 5 Rights Issue to raise up to an additional ~\$610,000 at the Offer Price was announced to the market. PURE, the Company's largest shareholder, has committed to subscribe for its full entitlement under the Rights Issue, representing approximately ~\$122,000 of proceeds.

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.

25 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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

25 Parent entity (continued)

	2024 \$	2023 \$
Statement of Financial Position		
Assets		
Current assets	1,689,573	458,103
Non-current assets	7,868,183	6,143,612
Total assets	9,557,756	6,601,715
Liabilities		
Current liabilities	779,318	484,371
Non-current liabilities	464,547	4,246,201
Total liabilities	1,243,865	4,730,572
Equity		
Contributed equity	39,137,657	38,793,417
Accumulated losses	(34,772,621)	(40,482,610)
Other reserves	3,948,855	3,560,336
Total equity	8,313,891	1,871,143
Statement of Profit or Loss and Other Comprehensive Income		
Profit/(loss) for the year	5,709,989	(2,559,343)
Total comprehensive income/(loss)	5,709,989	(2,559,343)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2024 or 31 December 2023.

Contractual commitments

The parent entity did not have any commitments as at 31 December 2024 or 31 December 2023.

26 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

26 Financial risk management (continued)

Market risk (continued)

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

	31 December 2024					31 December 2023				
	CAD	AUD	CHF	USD	Total	CAD	AUD	CHF	USD	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash and cash equivalents	842,434	46,349	-	2,265,827	3,154,610	747,894	484,354	-	608,026	1,840,274
Trade and other receivables	224,116	(169)	-	128,741	352,688	1,318,601	(169)	-	430,139	1,748,571
Other assets	3,476	46,247	-	281,776	331,499	45,375	64,612	278,884	321,621	710,492
Liabilities										
Trade and other payables	702,095	229,313	-	712,176	1,644,394	1,208,929	438,547	38,453	1,378,407	3,064,336
Borrowings	-	-	-	-	-	-	3,892,754	-	-	3,892,754
Derivative financial instruments	-	568,609	-	-	568,609	-	69,322	-	-	69,322

(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 2024	31 December 2023
	\$	\$
Australian Dollar	70,549	387,518
Canadian Dollar	(19,297)	(90,294)
Swiss Franc	-	(24,043)

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

26 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

26 Financial risk management (continued)

Liquidity risk (continued)

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 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 2024 US\$						
Trade and other payables	1,664,394	1,664,394	-	-	-	1,980,298
Borrowings	-	-	-	-	-	-
Derivative financial instruments	568,609	-	-	568,609	-	568,609
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

27 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 15,982,789 options.

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

Description	Year Option Issued	
	2024	2023
New KMP Options	15,982,789	14,737,976
Total	15,982,789	14,737,976

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

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

Description	Year Option Cancelled	
	2024	2023
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

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

	2024 Average exercise price per share option \$	2024 Number of options	2023 Average exercise price per share option \$	2023 Number of options
As at 1 January	AUD 0.264	32,959,737	AUD 0.468	38,921,761
Modifications during the year	-	-	-	-
Granted during the year	AUD 0.016	21,737,553	AUD 0.043	14,737,976
Exercised during the year	-	-	-	-
Cancelled during the year	-	-	AUD 0.486	20,700,000
Lapsed during the year	AUD 0.382	(9,534,200)	-	-
As at 31 December	AUD 0.12	45,163,090	AUD 0.264	32,959,737
Vested and exercisable at 31 December	AUD 0.116	44,614,681	AUD 0.257	31,907,890

9,534,200 options expired during the periods covered by the above tables.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

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 2024	Share options 31 December 2023
31 Aug 19	31 Aug 24 - 31 Aug 28	0.20 - 0.29	-	5,020,000
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	950,600	2,000,000
19 Oct 21	1 Dec 24	0.51 - 0.65	-	3,000,000
3 Dec 21	1 Dec 26	0.29 - 0.73	2,000,000	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	14,737,976
29 Sep 23	31 Dec 25	0.07	46,612,138	46,612,138
1 Mar 24	1 Mar 29	0.0087	21,737,553	-
			<u>91,775,228</u>	<u>79,571,875</u>

Weighted average remaining contractual life of options
outstanding at the end of the year

2.39

2.64

* 29 September 2023 were options granted during the placement offering

(i) Fair value of new KMP options granted in 2024

The assessed fair value at grant date of new options granted to key management personnel during the year ended 31 December 2024 was A\$0.0087 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 Trinomial 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:

- Exercise price: A\$0.016
- Grant date: 1 March 2024
- Expiry date: 1 March 2029
- Share price at grant date: A\$0.016
- Expected price volatility of the Company's shares: 84.7%
- Expected dividend yield: 0%, and
- Risk free interest rate: 4.33%

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

Options outstanding (continued)

(ii) 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.

(iii) 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

Options outstanding (continued)

(iv) 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.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

Options outstanding (continued)

(v) 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 2024	2,358,134
Granted during the year	-
Vested and exercised during the year	-
Changes in lieu of allocation	-
Forfeited during the year	-
As at 31 December 2024	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:

- The Company being admitted to the official list of ASX on or before 31 December 2021
- Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion)
- 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.

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

- The Company being admitted to the official list of ASX on or before 31 December 2021
- Continued employment with the Company as at the relevant vesting date (or being a good leaver, depending on Board discretion)
- 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

27 Share-based payments (continued)

Options outstanding (continued)

Expenses arising from share-based payment transactions

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

	2024	2023
	\$	\$
Expenses related to options	59,236	846,116
Expenses related to performance rights	84,296	187,406
Expenses related to issue of shares - Shay Mitchell	-	83,333
Total	143,532	1,116,855

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

28 Earnings 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:

Earnings per share for profit from continuing operations

	2024	2023
	\$	\$
Basic and diluted earnings/(loss) per share	(0.02)	(0.04)
Profit/(loss) for the year used in the calculation	(5,674,274)	(7,228,336)
Weighted average number of ordinary shares	290,678,001	195,129,031

Earnings per share for profit from discontinued operations

Basic earnings/(loss) per share	0.03	-
Diluted earnings/(loss) per share	0.02	-
Profit/(loss) for the year used in the calculation	8,341,807	(874,042)
Basic weighted average number of ordinary shares	290,678,001	195,129,031
Diluted weighted average number of ordinary shares	372,777,068	195,129,031

Earnings per share for profit for the year

Basic earnings/(loss) per share	0.01	(0.04)
Diluted earnings/(loss) per share	0.01	(0.04)
Profit/(loss) for the year used in the calculation	2,667,533	(8,102,378)
Basic weighted average number of ordinary shares	290,678,001	195,129,031
Diluted weighted average number of ordinary shares	372,777,068	195,129,031

Consolidated Entity Disclosure Statement
For the Year Ended 31 December 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the Corporations Act 2001 (s.295(3A)(a)).

Entity Name	Entity type	Place informed/country of incorporation	Ownership interest %	Tax residency
Hydration Pharmaceuticals Pty Ltd	Body corporate	Australia	100.00%	Australia
Hydration Pharmaceutical Canada	Body corporate	Canada	100.00%	Canada
Hydrallite LLC	Body corporate	United States	100.00%	United States
Hydration Therapeutics UK Limited	Body corporate	United Kingdom	100.00%	United Kingdom

The Hydration Pharmaceuticals Company Limited

ABN 83 620 385 677

Directors' Declaration

In the directors' opinion:

- a. the financial statements and notes, set out on pages 17 to 52 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 2024 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

The information disclosed in the attached consolidated entity disclosure statement is true and correct.

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



.....
Adem Karafili

Melbourne

Dated this 31st day of March 2025

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www.rsm.com.au**INDEPENDENT AUDITOR'S REPORT****To the Members of The Hydration Pharmaceuticals Company Limited****Opinion**

We have audited the financial report of The Hydration Pharmaceuticals Company Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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 and 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 of the current period. These 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.

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to Note 4 in the financial statements	
The Group's revenue for the year ended 31 December 2024 was \$3.2 million from continuing operations and \$5.5 million from discontinued operations. Whilst revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance.	Our audit procedures in relation to the recognition of revenue included: - Assessing whether the Group's revenue recognition policies were in compliance with AASB 15 <i>Revenue from Contracts with Customers</i>; - Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the correct period; and - Conducting a combination of substantive analytical procedures and tests of details in respect of revenue transactions for the year.
Discontinued Operations Refer to Note 8 in the financial statements	
During the year, the Group completed the sale of its non-US business. AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> requires specific recognition, measurement and disclosure requirements relating to assets, liabilities, revenues, expenses, and cash flows of discontinued operations. We determined this to be a Key Audit Matter as these transactions involve management estimates and judgements in identification of account balances, revenue and expenses relating to the discontinued operations and related note disclosures in the financial statements	Our audit procedures in relation to accounting and disclosure of Discontinued Operations included: - Reviewing management's calculations to ensure revenues and expenses relating to the discontinued operations are accurately identified and reported; - Reviewing the accounting for the sale of the business and the calculation of the gain on disposal; and - Assessing accounting policy and note disclosures to ensure that they are in accordance with the requirements of AASB 5.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and the 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.

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, 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:

- a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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 this 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/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 14 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of The Hydration Pharmaceuticals Company Limited, for the year ended 31 December 2024, 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.

A blue ink signature, likely belonging to a representative of RSM Australia Partners, written in a cursive style.

RSM AUSTRALIA PARTNERS

A blue ink signature, likely belonging to B Y Chan, written in a cursive style.

B Y CHAN
Partner

Date: 31 March 2025
Melbourne, Victoria

The Hydration Pharmaceuticals Company Limited

Shareholder Information

The following information was applicable as at 17 February 2025.

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
PURE Asset Management Pty Ltd ATF <The Income and Growth Fund>	60,952,123	19.99%
Regal Funds Management Pty Ltd	27,702,067	10.84%
Woobinda Nominees Pty Limited <The Woobinda Family A/C>	26,901,678	10.53%
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 as at the date of interest.

3. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	590
Unlisted Options (Options)	142
Performance Rights	6
Warrants	5

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.

The Hydration Pharmaceuticals Company Limited

Shareholder Information

5. Distribution Schedule

Ordinary Shares

Spread of Holdings	Holders	Securities	%
1 - 1,000	35	13,582	0.00%
1,001 - 5,000	95	235,369	0.08%
5,001 - 10,000	58	451,715	0.15%
10,001 - 100,000	214	9,802,157	3.21%
100,001 - 9,999,999,999	188	294,410,250	96.56%
Totals	590	304,913,073	100.00%

Options

Spread of Holdings	Holders	Securities	%
1 - 1,000	11	4,309	0.00%
1,001 - 5,000	14	34,059	0.04%
5,001 - 10,000	12	86,956	0.10%
10,001 - 100,000	39	1,393,261	1.61%
100,001 - 9,999,999,999	66	85,146,310	98.25%
Totals	142	86,664,895	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	1	8,666	0.81%
10,001 - 100,000	3	72,801	6.82%
100,001 - 9,999,999,999	2	986,667	92.37%
Totals	6	1,068,134	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	5	99,942,533	100.00%
Totals	5	99,942,533	100.00%

6. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
17 February 2025	\$0.009	329

The Hydration Pharmaceuticals Company Limited

Shareholder Information

7. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 73.39% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	60,952,123	19.99%
2.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	29,611,681	9.71%
3.	WOOBINDA NOMINEES PTY LTD <THE WOOBINDA FAMILY A/C>	29,297,309	9.61%
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,516,934	7.06%
5.	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	12,046,249	3.95%
6.	SUPER RADEK PTY LTD <SUPER RADEK SUPER FUND A/C>	11,517,466	3.78%
7.	SYRAX INVESTMENTS PTY LTD	8,000,000	2.62%
8.	PAUL ORLIN	7,732,978	2.54%
9.	JAF CAPITAL PTY LTD	6,300,000	2.07%
10.	CITICORP NOMINEES PTY LIMITED	5,519,308	1.81%
11.	TR NOMINEES PTY LTD	5,192,750	1.70%
12.	343 PTY LTD <343 CAPITAL A/C>	4,965,089	1.63%
13.	HMS ORANGE PTY LTD <HMS ORANGE UNIT TRUST A/C>	3,261,813	1.07%
14.	FF INVESTMENTS NZ LIMITED	2,901,462	0.95%
15.	GOWINGS WHALE FUND PTY LTD <GOWINGS WHALE A/C>	2,797,992	0.92%
16.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	2,721,316	0.89%
17.	ANKARA HOLDINGS PTY LTD <THE ANKARA FAMILY A/C>	2,562,389	0.84%
18.	TAHMEDIA PTY LTD	2,329,307	0.76%
19.	ILWELLA PTY LTD <NO 2 A/C>	2,300,000	0.75%
20.	MR CARLO CHIODO	2,259,677	0.74%
		223,785,843	73.39%

8. Company Details

Company secretary: Victoria Alexis Nadalin

Principal place of business:

Level 2, 6 Palmer Parade, Cremorne VIC 3121

Registered Office (Australia): c/- cdPlus Corporate Services Pty Ltd, Level 13, 440 Collins Street, Melbourne VIC 3000

Telephone: 03 9614 2444

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

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

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

The Hydration Pharmaceuticals Company Limited

Shareholder Information

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	01/12/2026	AUD\$0.2882	411,200
Unlisted Options	01/12/2026	AUD\$0.4382	179,800
Unlisted Options	01/12/2026	AUD\$0.5782	179,800
Unlisted Options	01/12/2026	AUD\$0.7282	179,800
Unlisted Options	01/12/2026	AUD\$0.2882	2,000,000
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	16,627,220
			86,664,895

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

Performance Rights

There is a total of 1,068,134 unlisted performance rights on issue.

The number of performance right holders is 6.

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

The Hydration Pharmaceuticals Company Limited

Shareholder Information

Warrants

There is a total of 99,942,533 unlisted warrants on issue.

The number of warrant holders is 5.

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

Rank	Holder Name	Warrants	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	37,500,000	37.52%
2	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	25,000,000	25.01%

11. Share Buy-Backs

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