743 Prospect Street
La Jolla, CA 92037

Company Announcement
ASX: HPC

DATE: 31/7/2026

Q2 CY26 Quarterly Report and Appendix 4C:

HIGHLIGHTS

- **Quarterly net sales of US$695,000– up 13.6% on the prior quarter (Q1 CY26: US$600,000)**
- **Net cash used in operating activities US$334,000, a 45% improvement on the prior quarter (Q1 CY26: US$613,000)**
- **Cost reduction post quarter of c.US$360,000 per annum in headcount reduction and outsourcing of finance function**
- **Strategic focus on increasing net margins with a reduction in advertising/marketing from 42% of revenue to c.32%**
- **Placement completed raising $392,000 at $0.004 per share with nil discount to the closing share price at the time of completion.**
- **Strategic acquisitions to complement the existing business continue to be evaluated to increase shareholder value**

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC) (“Hydralyte USA” or “the Company”)** is pleased to provide the following update on its operational and financial performance for the three-month period ended 30 June 2026 (the “quarter”).

<u>Operational overview:</u>

During the period, Hydralyte USA delivered net sales of US$695,566, marking an 13.6% increase on the prior quarter (Q1 CY26 net sales: US$600,000), with net online sales of US$517,908 and offline net sales of US$177,658.

Net cash used in operating activities continued to improve from US$613,000 in the prior quarter, to US$334,000 in Q2 CY26, with additional US$360,000 per annum cost savings being implemented post close of the quarter.

Advertising and marketing spend for the quarter was US$332,000. The Company expects to reduce this in the coming quarter through a more disciplined approach, targeting a reduction in spend from the historical level of c.42% of gross revenue to c.32%.

Staff and Contractor Costs for the quarter were US$197,000. The Company anticipates this will reduce in the coming quarter to c.US$110,000.

<u>Corporate:</u>

As of 30 June, the Company held US$442,000 cash having completed a placement in June to raise A$392,000. The Company is considering a range of options, including potential acquisitions, to grow the business and increase shareholder value.

The placement was completed at a nil discount to the last closing price at the time of completion and a 3% premium to the 15-day VWAP, with the appointment of two new board members in conjunction with the resignation of two existing board members.

Related party payments:

Payments of US$44,000 were made to related parties during the quarter. These payments relate to director's fees and executive remuneration.

Management commentary:

Chairman Mr Nick Berry said: *"Following a significant quarter of restructuring, the Company has achieved substantial additional cost savings. We also welcome the new investors who joined the Company during the quarter and thank them for their support. Over the next two quarters, our focus will be on maintaining sales performance while completing a strategic review of capital management and acquisition opportunities. The Board is considering a range of options aimed at further enhancing shareholder value and looks forward to updating shareholders in due course."*

ENDS

This announcement was authorized for release by the Board of Hydralyte North America.

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Forward Looking Statements:

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Hydralyte North America. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

The Hydration Pharmaceuticals Company Limited

ABN	**Quarter ended ("current quarter")**
83 620 385 677	30 June 2026

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	554	1,020
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(161)	(384)
	(c) advertising and marketing	(332)	(629)
	(d) leased assets		
	(e) staff costs	(197)	(417)
	(f) administration and corporate costs	(219)	(553)
1.3	Dividends received (see note 3)		
1.4	Interest received		2
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	10	3
1.9	**Net cash from / (used in) operating activities**	**(344)**	**(956)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**0**	**0**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	270	270
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**270**	**270**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	514	1110
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(344)	(956)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (6 months) $US'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	270	270
4.5	Effect of movement in exchange rates on cash held	1	18
4.6	**Cash and cash equivalents at end of period**	**442**	**442**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	442	514
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**		

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(44)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	0	0
7.5	**Unused financing facilities available at quarter end**		0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(334)
8.2	Cash and cash equivalents at quarter end (item 4.6)	442
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.29

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The company has implemented significant cost savings for this quarter and have reduced the advertising/marketing expenditure for this quarter. This will result in a reduced the net cash outflow for the coming quarters.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The company is currently reviewing its liquidity to ensure it is able to meet its business objectives with the Company in active discussions.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company has reduced operating expenses while continuing to maintain and grow sales. It also has the ability to raise additional funds and is considering a range of options.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: ....31 July 2026...

Authorised by: ....The Board of Directors..
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.