

Shareholder Update

June 2021

▪ Overview:

- This update provides a high-level overview to Hydra Light International Limited (“HLI”) shareholders of the significant progress over the last six to nine months.
- The further and rapid advancement of the proprietary HydraCell technology and the HydraCell battery substitutes is in line with the strategy announced to shareholders at the AGM in December 2020.
- HLI remains bullish, but cognisant of the need for capital and the ongoing impacts of the COVID pandemic in the short to medium term, in respect of achieving its ultimate mission of becoming a ‘real and viable alternative for (primary use) dry cell batteries’.



▪ Capital:

- HLI continues to fund its working capital requirements through one of its independent directors and has recently attracted additional capital at a fully diluted valuation of circa \$16.5 million (i.e. \$0.50 per share)
- Short-term cash flows are being aided by initial receipts from customers and government grants.
- HLI has finally cleared all the liabilities and obligations under the Infomercials Agreement but has at this stage not been successful in freeing up working capital through the sale of excess components.
- To fast-track its commercialisation program (See Strategic Partnerships) HLI is seeking further capital in the near term and is hopeful of attracting such capital at a valuation that reflects recent capital contributions, the advancement of its technology, the size of the potential assessable market (which continues to increase as HLI advances its technology) and the significant interest that the technology continues to generate.

▪ Strategic Partnerships:

- Over the last couple of months HLI has worked with an Australian based consultancy, that focuses its efforts on new and disruptive technologies and businesses with global appeal, to fast-track its commercialisation process and has secured some of their key personal to deliver on the growth strategy.
- This robust growth strategy has an initial focus on Australia and United States, going directly through retail networks in the short term, with expansion into Europe, and Asia (primarily in China and India) in the medium term.
- The initial growth strategy is focused on the current proprietary HydraCell technology and torch range (with the possible addition of a head torch as hands-free torches are the biggest selling sub-category within the torch category) with commitments and orders from retailers expected soon after the Product Showcase next week for delivery in early Q4/21.

- The Product Showcase, which will highlight the history, development, current product offering, unique positioning, and future battery substitutes of the HydraCell story, has attracted real attention from most of Australia's leading retail networks (i.e. the likes of Bunnings) as well as two leading OEM manufacturers (one in the automotive industry and one in the toys industry) and will be streamed to international stakeholders.
- HLI extends an invite to all shareholders to the Product Showcase. See details at the end of this update.
- As the USA retail landscape slowly begins to return to a new normal, HLI have commenced discussions with parties in the USA with the view to resurrecting the material interest and soft commitments that HLI had received in early 2020 before the onset of the pandemic.

▪ Technology Development – Proprietary HydraCell:

- HLI's R&D team has materially advanced the power output of the proprietary cells (the HC1D and HC2D cells used in HLI's torch range) which has resulted in the elimination of the electronic boards.
- The primary benefits of the increase in power are:
 - an improved user experience ('light output wins the war'),
 - a material simplification of the supply chain and reduction in 'failure' (both the boards and the assembly process), and
 - a significant reduction in the cost (over US\$5 in the Orca Torch Light) of the products which in turn allows HLI to meet retail and consumer price points and thereby become more competitive in crowded consumer categories (batteries and torches).

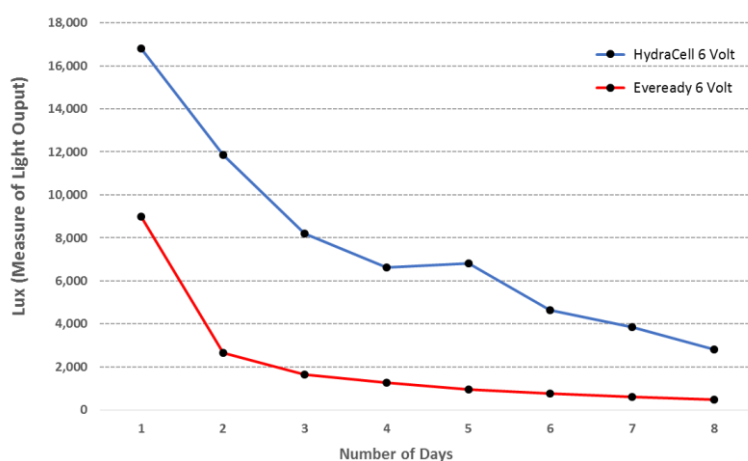
▪ Technology Development – Battery Substitutes:

- The R&D team is making good progress in delivering HydraCell battery substitutes (i.e. HydraCell's that look exactly like a battery (i.e. a C or D-cell battery) and which can be used in any device (i.e. torch, lantern, radio, toy, etc.).
- The prototype D-cells (image on Page 1 and Page 3) and the 6 Volt cells (image to the right) have performed very well in testing, and with the majority of the key challenges (primarily sealing the water and find an effective way to disperse the waste material) overcome, the R&D team is now focused on the design and manufacturing issues.
- In line with the growth strategy, HLI intends to put the C (a smaller version of the D Cell), D, and 6 Volt battery substitutes into production towards the back end of 2022, and the AA and AAA battery substitutes towards the back end of 2023.
- **The successful delivery of the battery substitutes will allow HLI to attack, with an eco-friendly technology the battery market where circa 15 billion primary use batteries are manufactured annually.**



- The graph on the following page illustrates the relative performance (in lux, which is a measure of light output and converted to the standard 'lumens' measure) of the HydraCell 6 Volt battery against the Eveready 6 Volt battery under continuous (24-hour use) in a Dolphin Torch with the HydraCell dipped once a day:

- The initial (Day 1) output ^(**) from the HydraCell is almost twice that of the traditional Eveready battery.
- The light output from the HydraCell by Day 2 is approaching 5 times that of the traditional Eveready battery.
- The light output of the HydraCell is still on Day 4 and 5, close to that which the traditional Eveready battery delivered on Day 1.



- This [video link](#) from the R&D team provides a visual illustration of the relative performance.
- *(**) HLI will determine (and can adjust accordingly) the final power / light output of the battery substitute cells through further testing, design, and manufacturing considerations and feedback from the market and consumers.*

- The delivery of the HydraCell in bamboo (or composite) material will make the HydraCell battery substitutes almost fully biodegradable and is a project that HLI will undertake later this year.

Manufacturing:

- Over the last six months close to 12k finished product units have been manufactured and have allowed HLI to fulfil sales orders and continue with extensive field testing.
- HLI is accelerating a program to investigate scalable production solutions outside of its current contract manufacturers (due to ongoing issues with trade tariffs) in Asia and potentially in Australia, where it can take advantage of material government assistance.

Financial Outlook:

- Despite the outlook for material revenue in FY22 and FY23, HLI is forecast to remain in a loss-making position until the second half of FY23 due to a significant marketing effort and spend to gain market traction.
- With further material revenue growth in FY24 and FY25, and the delivery of the battery substitutes, HLI will become significantly profitable and will then seek a potential liquidity event for investors.

- HLI's short-term future remains dependent on its ability to attract further capital and the success of the Product Showcase.

Please feel free to give me a call to discuss anything that you wish.

Kind Regards



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Gerry Comninos

CEO

Hydra Light International Limited

Invitation to Shareholders

Product Showcase

Venue: Film Set Studio

www.filmsetstudio.com.au

Address: 88 Warrigal Road, Oakleigh, 3166, Victoria

Date: Wednesday 30th June 2021

Time: 5.00 pm to 6.30 pm

For planning purposes and to comply with COVID safe protocols please indicate your attendance, and the number of people attending, by RSVP to gerry@hydracellpower.com