

Shareholder Update

February 2022

Overview:

- Further to the update at the Annual General Meeting in December 2021, this document provides a high-level overview to Hydra Light International Limited's ("HLI") shareholders of the continued progress over the last nine months.
- Key points: HLI
 - Has, before the Chinese New Year holiday, completed a full production run (well over 100,000 units) which was subject to an external independent quality control assessment process and management assessment review and its factory partners have recommenced further production after the holiday.
 - Has containers on the water on the way to Australia and the USA.
 - Will launch its products in three leading Australian retail chains in March 2022 and through a marketing group and a large retail chain in the USA in early April 2022.
 - Has completed a small co-branded order for the Red Cross.
 - Continues to resource the business with world-class resources and progress strategic projects to position itself as a disruptive technology in the global battery market.
 - Has rapidly progressed the First Phase of the HydraCell Battery Substitutes is in line with its strategic plan.
- As reported previously, HLI remains particularly bullish, but cognisant of the need for capital in respect of achieving its ultimate mission of becoming a 'real and viable alternative for (primary use) dry cell batteries' and competing in a circa US\$ 30 billion industry.



Capital:

HLI continues to fund its working capital requirements through one of its independent directors and a long-term investor at A\$0.50 per share (equating to a fully diluted company valuation of circa A\$17.5 million).

- Short-term cash flows are projected to be aided by initial receipts from customers and government grants.
- HLI continues to seek further capital to fast-track its commercialisation program.
- Significant sales revenue over the next few months and continued delivery of strategic milestones is expected to aid HLI's efforts to attract capital and potentially seek debt funding.

Commercialization:

- Three large Australian retail chains, Mitre10 (hardware), Total Tools (tooling), and BCF (camping), will launch HLI's



products and technology in March 2022.

- In the USA, the focus is centred on Non Food Marketing (“NFM”, an marketing/import agent, with whom HLI has signed a vendor agreement, with almost 2,000 customers which in turn represent over 14,000 supermarket, drug stores, hardware stores, and similar retail outlets) and Ace Hardware (almost 5,000 retail outlets in the USA and a growing presence in south Asia (i.e. Indonesia)).
- HLI’s Sales Team continues to make good progress across the marine sectors in Australia and the USA with the largest players and distributors in each region expressing strong interest in the products/technology and the Shark Light in particular.
- A leading marketing agency has been engaged to drive the marketing effort via our website and social media and direct retailer support.
- This [link](#) provides access to the raw video catalogue (2 videos on the web page) which is currently in production and will be used extensively (in shorter clips) in HLI’s business development and marketing efforts.
- HLI will expand its activities in Europe, and Asia (primarily in China) towards the end of 2022 with further regional expansion planned for 2023.



■ Technology Development – Proprietary HydraCell:

- As reported previously HLI’s focus over the last eighteen months has been on its technology and rationalising its product range (eliminate complex products and those that did not fully support the sustainability (clean-tech) focus of HLI’s technology)
- During this time the R&D team has materially advanced its proprietary HydraCell technology.
- HLI will over the coming months' transition its R&D capability to Australia and take further advantage of Australian tax grants.



■ Technology Development – Battery Substitutes:

- The R&D team has successfully delivered working prototypes of the First Phase HydraCell Battery Substitutes (i.e. 6-Volt, C-cell, and D-cell batteries).



- In the coming weeks, these Battery Substitutes will be subject to consumer feedback and assessment programs before they are transferred into the manufacturing process.
- HLI is confident that it will deliver the First Phase Battery Substitutes towards the end of 2022 and the Second Phase Battery Substitutes (AA and AAA cells) twelve to eighteen months thereafter.

▪ Manufacturing:

- The successful recent production run is a testament to the work, insights, and cooperation between the R&D team and the factories, and the quality assessment and control processes implemented by HLI.
- HLI will continue to advance the HydraCell and in the short term will focus its efforts on eliminating the small product issues that have been identified which will increase the consumers' (positive) experience.
- HLI has engaged world-class manufacturing and supply chain resources to commence a Global Manufacturing and Supply Chain project to provide a robust mass scale-up manufacturing solution.
- A global manufacturing solution will potentially allow HLI to strengthen its position and its intellectual property protection over its HydraCell technology.

▪ Financial Outlook:

- The financial outlook has not materially changed - HLI is forecast to remain in a loss-making position until the second half of FY23 until it generates sufficient revenue (and margin) to cover the significant marketing effort and spend required for new technology and brand.
- HLI will require significant capital to fund its material production costs to deliver its steep growth profile in late 2002 and 2023.



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.

The delivery of short-term strategic milestones (revenue in Australia and the USA, the manufacturing scale-up solution for the HydraCell Battery Substitutes, and the further strengthening of its IP position) will provide material benefits to HLI as it positions itself as a disruptive technology in the battery market.

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

Kind Regards

Gerry Comminos

CEO Hydra Light International Limited