

Dear Shareholders,

Since your new Board of Directors, of which I am Chairman, took over leadership of Hydromer, Inc. (Company) just over a month ago, we have begun to implement significant changes to further enhance its business and financial operations. In this letter, I aim to provide you with a high-level outline of our efforts to eliminate unnecessary expenses and steer the Company back to a path of growth.

Central to our strategy is the initiative to get the Hydromer brand and technology back on the competitive stage. We are working diligently to ensure our future financial reporting and business operations align with both GAAP and SEC reporting principles. Our objective is to provide comprehensive, clear and timely reports and thereby foster trust and confidence among you, our business partners and other stakeholders.

While we are still in the initial phases, we have begun implementing a renewed corporate vision and objectives. This strategy is being designed to ensure a business focus and congruence between the management's direction and shareholder interests.

The new management team and I view you as partners in the Company. Our primary goal is to ensure that our shareholders are provided with the necessary information to understand their stake in our Company.

Review of Accounting Records; Financial Audit:

We have already invested significant time and effort reviewing the Company's current finances and operations. During our evaluation, we identified several significant concerns that could complicate the Company's ability to complete a GAAP audit that includes the prior two years (periods ended June 30, 2022 and 2023), notably:

- Issues related to inventory, inventory counts and cost of sales allocation.
- Challenges with the accuracy of royalty income recognition.
- Questions surrounding the categorization of substantial rent expenses, and clarity on detailed property, plant and equipment (PPE) schedules.
- Reconciliation of balance sheet accounts.

Due to identified discrepancies with previously reported financials, we cannot fully endorse the complete accuracy of the annual reports released by the Company prior to our tenure. After consulting with several public accounting firms, we concluded that conducting a full two-year audit of the Company would not only be extremely costly and time-consuming but would also run the risk of being incapable of certification due to the lack of sufficient historical records and data.

Initial Conclusions and Future Direction:

Our review of bank statements has verified consistent sales figures for the Company. Total revenue (based on cash deposits) for the past 12 months is just over \$4.3M. Owing to our recent appointment and the year-end closing in June, the filing of the Company's 2023 annual report will be delayed. Rest assured, however: we are committed to providing accurate financial reports as swiftly as possible.

Despite the inherited challenges, our new team, skilled in financial reporting and management, has already started addressing these issues. Key initiatives implemented include:

- **Board of Directors Oversight:** The Board now oversees daily operations, with the CEO reporting to them regularly.
- **Regular Financial Reporting:** Establishing a standardized financial reporting process.
- **Robust Internal Controls:** Developing a strong system of internal controls over financial reporting.
- **Performance Evaluations:** Regular assessments will ensure financial compliance and ethical standards are met.
- **Technology and Systems:** New financial systems with audit trails will be implemented to detect anomalies or fraudulent activities.

Current Business and Future Focus:

Hydromer was once the leader in the hydrophilic coatings industry. The Company's founder and technology inventor, Manfred Von Dyke, created an award-winning patented technology in the 1980's that is still being used in many life-saving medical devices today. Over the past several years, the Company may have overlooked evolving industry trends, customer needs and other opportunities for growth. Our new leadership is committed to addressing these areas and steering the Company towards a much brighter future.

It is encouraging to note that we still have significant reoccurring sales from three of the largest medical device manufacturers in the world. Though exciting, we view this as a sales concentration exposure that should be fixed. Since his recent appointment, our new CEO, Michael Torti, has played a pivotal role in stabilizing the Company. Under his leadership, we are focusing on growing the largest margin part of the business, which is in Medical Applications. In addition, we are looking for new ways to stay ahead of the competition and meet the evolving needs of current and past customers. Currently underway is the revitalizing of our R&D efforts to launch the next generation of hydrophilic medical applications and broadening our customer base both nationally and internationally with a new sales team and marketing initiatives.

As Chairman, my primary focus will encompass strengthening corporate governance to ensure directors and executives are aligned with the Company's mission and values. I will also prioritize senior executive and director recruitment, securing growth capital, exploring potential M&A

opportunities and assist our CEO in shaping business strategies to diversify our revenue streams in order to reduce reliance on any single customer or market.

Shareholder Communication:

Through this first in a series of Chairman's letters, I aim to keep you well-informed about our business. As we continue our corporate overhaul, our communications will serve to deepen your understanding of our operations and ongoing transformations. We currently do not have an investor relations department, and so we encourage you to source information about our Company directly from us and not rely on intermediaries.

In any event, we are committed to issuing press releases for all significant corporate events and consistently issuing reliable financial statements for our shareholders.

Braeden Lichti
Chairman of the Board

September 14, 2023