

24 April 2024

## March 2024 Quarterly Activities Report

### Summary

- Treatments ongoing in Gulf of Mexico
- Several trials for HCD technologies continue
- CEO to move to agency agreement as HCD restructures
- Small Private Placement and SPP completed
- Continued sales and marketing progress
- Assessment of new investment opportunities expanded beyond upstream energy and energy technology projects to include other sectors where shareholder value may be created

### Update on Ongoing Treatments Using HCD Products

#### Australia – Cooper basin

The HCD Multi-Flow paraffin control programme in the Cooper Basin performed well through the 2023 winter season. HCD provided its Cooper Basin customer with HCD's new Australian distributor, who will manage the programme and provide full service of the treatment application. HCD's distributor notified of a likely increase in the number of wells treated from 20 to 40 wells in the 2024 winter season. If received HCD would anticipate an order valued at ~A\$120,000 which could be met by existing inventory in Australia.

#### Alberta, Canada Ongoing Business

Ongoing business in Alberta, Canada through HCD's distributor continues. 21 wells are being treated with HCD Multi-Flow.

Although the distributor intends to expand its use of HCD Multi-Flow for paraffin control in Alberta as well as evaluate it for heavy oil viscosity and diluent reduction opportunities, progress remains slow.

#### Gulf of Mexico

As a follow-up to the 22 January 2024 release, and the December 2023 Quarterly Activities Report, the HCD Multi-Flow trial on a Gulf of Mexico offshore subsea pipeline has proven very successful at removing and inhibiting organic deposition. The success of the trial treatment has allowed the mid-sized oil and gas producer to increase crude oil flow through their pipeline by approximately 25% and has subsequently become an ongoing treatment application.

Based on this success HCD is in discussions to treat the producer's much larger pipeline with chemical treatment estimated at around A\$2,200,000 annually.

## Update on Ongoing Trials Using HCD Products

### Dubai

As stated in the 6 November 2023 release HCD received a purchase order from its new Dubai based distributor for approximately A\$130,000 for HCD Multi-Flow. The product has arrived in Dubai and HCD was paid for the product in April 2024. The product is intended for an operator in Africa to clean a pipeline containing organic deposits in preparation for running a smart pig. HCD awaits word on the outcome of the treatment from its distributor.

### USA

HCD has three small but important trials with new US customers. The first with a supermajor integrated oil and gas company for a one-well paraffin control trial in the Delaware Basin of New Mexico. The production chemical coordinator confirmed that the wax issue was improved after treating with HCD Multi-Flow. Unfortunately, the well was soon shut in due to mechanical failure not related to the chemical treatment programme. The chemical coordinator is working with their production engineers to find a more suitable location to trial HCD chemistry after the favourable results.

The second one-well, paraffin control trial (2 drums HCD Multi-Flow) by HCD's new Oklahoma based distributor is for an independent oil & gas producer in Bakersfield, California. The trial started in mid-December 2023 and will continue until the producer pulls the well, which is expected to be during or before 3Q24.

The third trial is with HCD's new North Dakota based distributor. No paraffin related issues have been reported since start of testing in April 2023. It was reported that the producer's field operations hot watered the well as a precaution nullifying the trial. The well was pulled and found to be completely clean but could not be totally contributed to HCD Multi-Flow because of the precautionary hot watering. HCD's distributor has asked the producer to stop hot watering and continue with the trial to achieve a meaningful outcome.

All three sales are of inconsequential amounts, but the opportunities can lead to significant business upon success.

### South Sudan

Further to the update provided in the December quarterly report, HCD has been informed that a trial commenced in early March 2024 but no results have been communicated to HCD.

Early stage discussions have commenced for another order of HCD chemical so that the pipeline operator can be prepared for next winter's treatment programme.

HCD previously reported that it had received the full payment of A\$185,000 for its new product, Bit-Flow D75 from a large operator in South Sudan that is majority owned by Malaysia's state-owned energy company, Petronas.

If the initial field treatment proves successful, the potential revenue associated with this opportunity is estimated to be approximately A\$3,000,000 annually. In addition, it could also lead to similar opportunities with other operators in the region.

## **India**

HCD shipped 38 drums of product in October to India for multiple Tri-Phase squeeze trials and a pour point reduction trial, with two different independent producers on a “no cure no pay” basis. The drums are stuck in the custom clearance system and HCD does not consider them recoverable.

## **Corporate Re-Structuring and Director Resignation**

Following the announcement (ASX Release 13 Feb 2024) of the resignation of Mr. William Tarantino, head of HCD’s chemical division, on 27 March 2024 the Company announced further re-structuring initiatives aimed at reducing costs, whilst maintaining the HCD business and assessing new investment opportunities.

It is anticipated that post 1 April 2024, Mr. Tarantino will continue to assist HCD sales efforts and transition matters via a commission based agency agreement.

HCD will also transition all salaried staff and most consultants from salaries or retainers to hourly rates to further reduce costs. Directors have also agreed to waive director fees until the financial position of the Company is strengthened.

The above initiatives are estimated to reduce HCD’s cash outflows by approximately A\$200,000/quarter, while maintaining all sales and marketing efforts through existing distributors and agents.

During the Quarter HCD also announced that Andrew Seaton had notified the board of his intention to resign from the board at the end of April to concentrate on his other executive and non-executive roles. HCD’s Chairman, Stephen Mitchell, commented “Andrew has made a very valuable contribution to HCD during his 4 years on the board. His clarity of thought, strategic thinking, financial acumen and attention to detail have been highly valued by the board”.

## **Laboratory Testing Update**

Post Quarter end CEFAS (Silver) approval was attained in April 2024 and the North Sea trial is now scheduled for the first week in May. No other laboratory test results have been obtained during the quarter.

## **Exploration & Corporate Activities**

During the Quarter HCD continued to assess exploration opportunities in the energy, resources and technology sectors on a regular basis. The Company also reviewed several non-energy related opportunities. HCD will also continue to consider options to finance its existing chemical business through joint ventures, private equity and other avenues.

## Small Private Placement & Share Purchase Plan Completed

During the March Quarter HCD completed a Share Purchase Plan, which together with the share placement in the December quarter resulted in the issue of a combined 38,888,889 fully paid ordinary shares at an issue price of 0.45 cents per share raising \$715,124 before fees. In addition, the Company issued 40,000,000 options, being one free option for every three shares issued in the private placement. The unlisted options have an exercise price of 1.5 cents and expire two years from the issue date.

Proceeds from the issue will be used for working capital purposes while the Company completes a review of financing options of its existing operations as well as to advance new investment opportunities.

## Finance

At the end of the quarter HCD had \$660,000 in cash reserves and no debt, plus \$154,000 in receivables.

Related party transactions during the Quarter were for approximately \$72,755 in Director's fees and \$72,765 in royalty payments.

HCD's expects to renew its 15% and 10% placement capacity at its AGM in May 2024.

This release has been approved by the Board of Directors.

For further information please contact:

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ASX Code: HCD

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Hydrocarbon Dynamics Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (reallocated to corporate costs)	-	-
(b) development	-	-
(c) production	(36)	(36)
(d) staff costs	(205)	(205)
(e) administration and corporate costs	(108)	(108)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (royalties)	(73)	(73)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(419)</b>	<b>(419)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	175	175
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	(70)	(70)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>105</b>	<b>105</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>(315)</b>	<b>(315)</b>
4.1	Cash and cash equivalents at beginning of period	974	974
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(419)	(419)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	105	105

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>660</b>	<b>660</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	259	974
5.2	Call deposits	401	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>660</b>	<b>974</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(146)
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.*

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>		
<b>7.5 Unused financing facilities available at quarter end</b>		
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(419)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(419)
8.4 Cash and cash equivalents at quarter end (item 4.6)	660
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	660
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	1.58
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: No. The Company has implemented steps that will reduce operating costs by approximately \$200,000 per quarter from 1 May 2024. In addition it does not intend to incur production (blending) costs without sufficient payment in advance.	
8.8.2 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: In April 2024 the Company recovered approximately \$137,000 from a long overdue creditor. As noted in the quarterly activities report, HCD is considering options to finance its existing chemical business through joint ventures, private equity and other avenues. HCD also expects to renew its 15% and 10% placement capacity at its AGM in May 2024 and will consider possible equity financings after that date and after reviewing other corporate opportunities.	

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 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, noting that the Company is presently implementing cost cutting measures, undertaking a review of the financing options for its existing operations and advancing potential new investment opportunities.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 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: 24 April 2024

Authorised by: By the Board

### 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 6: Exploration for and Evaluation of Mineral Resources* and *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 standards apply 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.