

28 January 2021

## **December 2020 Quarterly Activities and Cash-Flow Report**

### **Summary**

- New Distributors and Agents appointed
- Rights Issue completed
- Field trial in Canada concludes

### **New Distributors and Agents Appointed as part of new Strategic Plan**

As part of the new strategic plan considerable effort was maintained in identifying and appointing new agents and distributors as well as assisting in the sales efforts of existing ones. HCD has now appointed 10 agents and distributors, the majority of which are predominantly focussed on North America. HCD is also in advanced discussions with three additional new distributors covering Texas, Oklahoma, and Wyoming, and one covering India. If signed it is expected that these new distributors would bring considerable oilfield chemical and technical field expertise as well as strong industry relationships to HCD. Two of these new sales distributors have significant sales forces, scope and expertise.

With the completion of our branding initiative and development of a consistent language around our technology, HCD has created new, professional marketing materials to support the sales initiatives of the agents and distributors including a new web site aimed at industry. The website can be viewed at [www.hydrocarbodynamics.com](http://www.hydrocarbodynamics.com).

### **Rights Issue Completed**

During the Quarter HCD received strong support from shareholders for its recently closed Rights Issue with the offer being oversubscribed. The Company issued 69,379,162 new shares and 34,689,581 new options under the Rights Issue, raising \$1,387,583.

The Company, with the assistance of Peloton Capital, issued a further 23,160,000 shares and 11,580,000 unlisted options on the same terms as the Rights Issue in a placement to sophisticated investors, raising an additional \$463,200. Placement shares and options were issued under ASX listing rule 7.1.

The small capital raise was undertaken to provide a degree of financial security at a time when the outlook for financial markets remains volatile. The funds raised are being applied to working capital and to give the company flexibility when reviewing upstream opportunities.

### **Field Trial in Canada Concludes**

Further to the ASX announcements on 30 October 2020, Hydrocarbon Dynamics Limited's ("HCD") technology proved very effective on 15 wells for a midcap Canadian oil and gas producer striving to control paraffin deposition issues. And while this producer decided to remain with the incumbent chemical supplier (after massive discounting), HCD performed well enough to be invited, via its

distributor, to participate in a new and much larger opportunity on another of this company's producing fields. This trial is expected to begin before the end of the first quarter 2021. In addition, this First Nation distributor has proposals out to conduct similar paraffin control trials with three other small to midcap sized oil producers in Alberta, Canada.

## Commentary

HCD's marketing efforts continued to be affected by the adverse impact on the oil and gas industry associated with the COVID-19 pandemic. It was extremely difficult to secure sales meetings and site visits with producers while many closed their offices and access to fields as part of Covid protection measures. Indeed HCD sales were hampered when its CEO contracted Covid and needed time to isolate and recover which, thankfully, he and his family have.

HCD anticipates that with the recovery in oil prices, improved industry Covid management practices and increasing vaccinations, marketing and sales efforts will be able to gather strong momentum.

We also expect postponed trials in Gulf of Mexico will commence in the first quarter of 2021.

HCD continues to review upstream and other energy technology investment opportunities.

## Utah Project Farm-Out

No progress to report.

## Oil and Gas Tenements as at 30 June 2020

Project	Location	Interest acquired or disposed of during the quarter net to HCD	Total acres owned net to HCD	Working Interest held as at 31 December 2019
Kentucky	Butler and Warren Counties, Kentucky	1,509	334	100%
Utah	Uintah, County	-	3,459	100%

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 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	6	51
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(29)	(178)
	(b) development		
	(c) production	(142)	(293)
	(d) staff costs	(169)	(900)
	(e) administration and corporate costs	(129)	(570)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	9
1.5	Interest and other costs of finance paid	(3)	(5)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	-	265
1.8	Other (Royalty)	(66)	(281)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(531)</b>	<b>(1,902)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)	-	(32)
	(e) investments		
	(f) other non-current assets		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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 (Bond)	16	16
<b>2.6 Net cash from / (used in) investing activities</b>	<b>16</b>	<b>(16)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,851	2,796
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	(38)	(62)
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 Net cash from / (used in) financing activities</b>	<b>1,813</b>	<b>2,734</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,146	1,628
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(531)	(1,902)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	16	(16)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,813	2,734

## 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 (12 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>2,444</b>	<b>2,444</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	375	375
5.2	Call deposits	1,871	771
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>2,444</b>	<b>1,146</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
(107)
-

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>		

7.5 <b>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)	(531)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(531)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,444
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,444
<b>8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>4.60</b>

8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	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?	
	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?	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

**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: 28 January 2021

Authorised: 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.