

28 April 2021

March 2021 Quarterly Activities and Cash-Flow Report

Summary

- HCD Multi-Flow[®] Selected for Australian Cooper Basin Trial
- Distributors and Agents Make Progress
- Lab Testing Oils for New Projects Continues

HCD Awarded Cooper Basin Trial

Hydrocarbon Dynamics Limited (“HCD”) has been awarded a field trial with a large Australian oil & gas producer in the Cooper Basin. The paid trial will consist of three separate treatments to remediate and inhibit the debilitating effects of paraffin deposition in oil tanks, wells, and flow-lines using HCD Multi-Flow[®].

The objective of the trial is to mitigate the negative impacts that low winter temperatures have on crude oil processing, including paraffin fouling, as well as eliminate the need to switch from a summer blend chemical to a winter blend. HCD Multi-Flow[®] works well in all environments.

The trial will utilise approximately A\$75,000 of HCD Multi-Flow[®] product and is expected to commence in early May. Success will likely lead to expansion of the treatment scope for ongoing operations as well as open up other opportunities in the region.

Distributor and Agent Progress

Since HCD adopted a new marketing strategy it has appointed 10 distributors and agents, whom we continue to assist in their marketing and testing initiatives. These partners are in many advance discussions and negotiations for trial and tests with potential end users of HCD products. A good number of these discussions are with large potential clients and any breakthroughs will be announced to the ASX as and when they are formalised. HCD’s agents and distributors predominantly target North America while others are focused on India, the Middle East, Malaysia, Indonesia, China and Latin America.

Examples of some of the initiatives HCD’s partners are working on include:

- Indonesia – heavy crude oil production enhancement. This is an opportunity for HCD technology to allow a producer in Indonesia to economically produce oil from a heavy oil zone;
- Colombia – heavy oil viscosity reduction with HCD technology to significantly reduce the amount of diluent required to meet pipeline viscosity specifications. This potential distributor has acquired crude oil from a Colombian producer for third party viscosity testing;
- North America – paraffin remediation and inhibition with HCD Multi-Flow[®] in three different fields in North America;
- Central Texas – one of the new potential distributors will initiate a small trial with HCD Multi-Flow[®] in April on a stripper well in central Texas. They have been unable to resolve paraffin related issues after numerous attempts with many different competitive chemistries. This is a

good test for HCD technology on a severe and unresolved problem and will test the limits of HCD's technology.

Testing Update

Laboratory testing remains a continuing and important part of HCD's product development and marketing. During the March quarter HCD and its partners conducted numerous tests on oils from the North Sea, North America, India and Colombia.

Testing performed on Colombian crude confirmed earlier results and in this recent case showed a reduction in Crude Viscosity of 75% and an increase in API gravity of 1.3 degrees. Current estimates are that these results would equate to an in-field feed rate of approximately 1250 PPM HCD Multi-Flow[®]. This result represents a significant reduction in viscosity and would likely result in a much-reduced diluent feed required for this opportunity.

Results of tests on oils for a large oil producer in India will be available soon and, if positive, would result in a formal proposal for field trials. Initial tests on these oils were promising based on preliminary work undertaken by Saybolt Laboratories in Texas.

Testing is also being performed on North Sea oils and on Ukrainian waxy condensate samples. Results are also pending.

Commentary

As reported last quarter HCD's marketing efforts continue to be affected by the adverse impact on the oil and gas industry associated with the COVID-19 pandemic. HCD's CEO and its agents and distributors are still finding it difficult to secure sales meetings and site visits with producers due to travel restrictions and other physical limitations associated with covid protection measures.

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 momentum.

HCD has not been given a start date for the long awaited Gulf of Mexico trial after the producer reported technical problems on the platform proposed for the HCD trial. While we understand remediation procedures are in place, HCD has not been given a time frame for commencement of the trial.

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

Utah Project Farm-Out

No progress to report.

Finance

At the end of the quarter HCD had \$2,043m in cash reserves and no debt.

Related party transactions during the quarter were for approximately \$61,000 in Directors fees and \$62,000 in royalty payments.

Oil and Gas Tenements as at 31 March 2021

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 March 2021
Kentucky	Butler and Warren Counties, Kentucky	334	-	-
Utah	Uintah, County	-	3,459	100%

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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 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(41)	(41)
	(b) development		
	(c) production	(13)	(13)
	(d) staff costs	(188)	(188)
	(e) administration and corporate costs	(72)	(72)
1.3	Dividends received (see note 3)		
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid		
1.7	Government grants and tax incentives	-	-
1.8	Other (Royalty)	(62)	(62)
1.9	Net cash from / (used in) operating activities	(376)	(376)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)	(23)	(23)
	(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 (Bond)	-	-
2.6	Net cash from / (used in) investing activities	(23)	(23)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,442	2,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(376)	(376)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(23)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,043	2,043

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	576	373
5.2	Call deposits	1,467	1,871
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,043	2,442

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

Current quarter \$A'000
(123)
-

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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)		
7.4 Total financing facilities		

7.5 Unused financing facilities available at quarter end	
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.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(376)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(23)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(399)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,043
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,043
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5.1

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 April 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.