

30 July 2021

June 2021 Quarterly Activities and Cash-Flow Report

Summary

- Australian Cooper Basin trial commenced
- Sale of Utah project agreed and deposit received
- Laboratory testing of oils for new treatment applications continues

Cooper Basin Trial Commenced

Hydrocarbon Dynamics Limited's ("HCD") field trial with a large Australian oil & gas producer in the Cooper Basin commenced during the quarter. The paid trial consists of two separate treatments to remediate and inhibit the debilitating effects of paraffin deposition in oil tanks, wells and flowlines using HCD Multi-Flow®.

Treatment commenced on the wells in early June and on tanks in the first week of July. Early indications are very promising as we move forward into the coldest months of the year.

Sale of Utah Project

HCD announced (post quarter end) that it had entered into an agreement to sell its interests in the Utah oil sands project for cash consideration of US\$500,000 and an ongoing 2% revenue-based royalty. HCD has received a deposit of US\$100,000 associated with the sale.

The sale, to a private US based energy company, is scheduled to be concluded at the earlier of 29th September, 2021 or when assignment documentation has been approved by the regulator (if required).

The purchaser has also committed to test HCD's technology in three wells in the project area within six months of the completion of the sale.

Distributor and Agent Progress

HCD continues its efforts to strengthen our distributor relationships in addition to developing new ones that will provide the company with material opportunities aligned with our technology and overall strategy.

Our distributors are finding new treatment applications for HCD Multi-Flow, including adding it to product blends for demulsification, fracturing fluids and frac flowbacks. Subsequently, one of HCD's newer distributors has recently ordered 8 drums of HCD Multi-Flow to be used for frac flowback opportunities as well as paraffin control.

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.

Hydrocarbon Dynamics

Separate independent laboratory tests performed on crude oil from a large North Sea producer demonstrated that HCD Multi-Flow® is significantly more effective in dissolving existing paraffin deposits, as well as inhibiting paraffin deposition, than the two products currently employed by the incumbent provider. All tests were performed on a Dynamic Wax Flow Loop.

Our new distributors are running numerous tests in many different applications and finding ways to apply HCD Multi-Flow® to enhance their existing chemistries.

Commentary

HCD's marketing efforts have started to regain some momentum, especially in North America, after the adverse impact on the oil and gas industry associated with the COVID-19 pandemic. The operating environment in many other places remains a challenge but improvements are emerging.

As COVID-19 restrictions ease, our Canadian distributors are once again able to access offices and field operations which should lead to increased sales activity and momentum with existing and new prospects. Furthermore, treatment opportunities in the USA have progressed and we expect to pilot our technology in more than one field during the third quarter.

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

Finance

At the end of the quarter HCD had \$1.55m in cash reserves and no debt. In addition, post quarter end HCD received a US\$100,000 deposit related to the sale of the Utah roject and expects to receive a further US\$400,000 when the sale completes in the September quarter.

Related party transactions during the quarter were for approximately \$65,000 in Directors fees and \$63,000 in royalty payments.

Oil and Gas Tenements as at 30 June 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
Utah	Uintah, County	-	3,459	100%

For further information please contact:

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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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	13	13
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(15)	(56)
(b) development		
(c) production	(116)	(129)
(d) staff costs	(181)	(369)
(e) administration and corporate costs	(129)	(201)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
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)	(63)	(125)
1.9 Net cash from / (used in) operating activities	(489)	(865)
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) (prior quarter reallocated to operating activities)	(1)	(24)
(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 (6 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	(1)	(24)

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	(2)	(2)
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	(2)	(2)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,043	2,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(489)	(865)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(24)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,551	1,551

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	284	576
5.2	Call deposits	1,267	1,467
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)	1,551	2,043

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
(128)
-

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)	(489)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(490)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,551
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,551
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.17

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: 30 July 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.