
HYDROCARBON DYNAMICS LIMITED
ABN 75 117 387 354
NOTICE OF ANNUAL GENERAL MEETING

TIME: 9.30am (Melbourne time)

DATE: Wednesday, 29 May 2024

PLACE: The meeting will be held at:
Level 6, 412 Collins Street, Melbourne VIC 3000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting. Should you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on +61 3 9642 0655.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM**) of the Shareholders of Hydrocarbon Dynamics Limited (**HCD** or the **Company**) will be held on Wednesday, 29 May 2024 at 9.30am (Melbourne Time).

The meeting will be held Level 6, 412 Collins Street, Melbourne.

If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the meeting, HCD will make further information available through the ASX website at asx.com.au (ASX: HCD) and on its website. HCD Shareholders should monitor HCD's website and its ASX announcements for any updates.

You are encouraged to lodge a proxy form. To be effective, your proxy form must be received at the share registry of the Company no later than 9.30am (Melbourne time) on 27 May 2024, being 48 hours before the AGM.

The Explanatory Statement to this Notice of Meeting provides additional information on the matters to be considered at the AGM. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 31 December 2023.

Unless the Company's Share Registry has been notified otherwise, Shareholders have not been sent a hard copy of the Annual Report. All Shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2023, on the Company's website (www.hydrocarbodynamics.com); go to "Announcements and Reports" and then "Annual Reports".

Following consideration of the Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

B. ITEMS FOR APPROVAL

1. Remuneration Report

To consider and, if thought fit, to pass the following as an Advisory Resolution of the Company:

“That, the Company’s Remuneration Report for the financial year ended 31 December 2023 (set out in the Directors’ Report) be adopted.”

The Remuneration Report is set out in the 2023 Annual Report. Please note that, in accordance with section 250R(3) of the Corporations Act 2001 (Cth), the vote on this resolution is advisory only, and does not bind the Directors or the Company.

Voting exclusion statement

In accordance with the Corporations Act 2001 (Cth), a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- a closely related party of such a member.

However, a person described in paragraph (a) or (b) above, may cast a vote on the resolution as a proxy, if the vote is not cast on behalf of a person described in (a) or (b) above and either:

- the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Shareholders who intend to appoint the Company’s Chairman as proxy (including an appointment by default) should have regard to the important information below under the heading “Important information concerning proxy votes on Resolution 1”. The proxy form sets out the manner in which the Chairman intends to cast undirected proxies. The proxy form also contains the authority for the Chairman to cast undirected proxies.

2. Re-election of Director - Mr Ray Shorrocks

To consider, and if thought fit, to pass the following as an **ordinary resolution**:

“ That Mr Raymond Shorrocks who retires by rotation in accordance with Rule 13.2 of the Company’s Constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director”.

3. Re-election of Director - Mr Nicholas Castellano

To consider, and if thought fit, to pass the following as an **ordinary resolution**:

“ That Mr Nicholas Castellano who retires by rotation in accordance with Rule 13.2 of the Company’s Constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director”.

4. Re-election of Director - Mr Stephen Mitchell

To consider, and if thought fit, to pass the following as an **ordinary resolution**:

“ That Mr Stephen Mitchell who retires by rotation in accordance with Rule 13.2 of the Company’s Constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director”.

5. Ratification of Prior Share Placement

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue by the Company of 120,000,000 shares, on the terms and conditions described in the Explanatory Memorandum to this Notice of Meeting on the dates referred to in that Explanatory Memorandum, be and is hereby ratified and approved”.

Voting exclusion statement

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of Resolution 5 by or on behalf of:

- the persons who participated in the issue the subject of this resolution; or
- an associate of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

6. Approval of Prior Option Issue

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue by the Company of 40,000,001 Options, on the terms and conditions described in the Explanatory Memorandum to this Notice of Meeting on the dates referred to in that Explanatory Memorandum, be and is hereby ratified and approved”.

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of Resolution 6 by or on behalf of:

- the persons who participated in the issue the subject of this resolution; or
- an associate of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

7. Constitution Update (Wholly virtual Meetings)

To consider and, if thought fit, to pass the follow resolution as a **special resolution**:

THAT, for the purposes of sections 136(2) of the Corporations Act, and for all other purposes, approval is given for the Company to modify the Constitution, by making the amendment described in the Explanatory Statement to this Notice of Meeting, with effect from the conclusion of the meeting.

8. 10% Placement Capacity

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

THAT, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Statement to this Notice of Meeting, be and is hereby approved.

Voting exclusion statement

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of Special Resolution 8 by or on behalf of:

- a person who may participate in the 10% Placement Issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed; or
- an associate of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

By order of the Board



Julie Edwards
Company Secretary
26 April 2024

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Reg 7.11.37 of the Corporations Regulations 2001, the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Melbourne time) on 27 May 2024 will be entitled to attend the AGM at level 6, 412 Collins Street, Melbourne as a shareholder.

You are encouraged to lodge a proxy form. To be effective, your proxy form must be received at the share registry of the Company no later than 9.30am (Melbourne time) on 27 May 2024, being 48 hours before the AGM as follows:

By post: Hydrocarbon Dynamics Limited
C/- Automic Registry Services
PO Box 2226
Strawberry Hills NSW 2012

By delivery: Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000

Shareholder questions

If you wish to put a question to the Chairman of the Meeting or Auditor and you are not able to attend the AGM, please email your question to the Company Secretary at info@hydrocarbodynamics.com. To allow time to collate questions and prepare answers, questions are to be received by the Company Secretary by 5:00pm (Melbourne time) 22 May 2024.

Questions submitted in writing to the Company Secretary will be put to the Chairman or Auditor at the Board's discretion.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the AGM to be held physically at the offices of Lowell Accounting Services, Level 6, 412 Collins Street, Melbourne at 9.30am (Melbourne time) on Wednesday 29 May 2024.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions at the AGM.

RESOLUTION 1: REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of director and key management personnel (**Remuneration Report**) be put to the vote of shareholders for adoption by way of a non-binding vote.

The Remuneration Report details the remuneration policy for the Company and:

- reports the remuneration arrangements for Company Executives and Non-Executive Directors (HCD Personnel);
- explains Board policies in relation to the nature and value of remuneration paid to HCD Personnel; and
- discusses the relationship between the policy and Company performance.

The Remuneration Report is available within the Directors' Report in the Company's 2023 Annual Report (which has been made available on the HCD website, under "Announcements and Reports" and then "Annual Reports"). The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Report.

Under the provisions of the Corporations Act and subject to the qualifications in the paragraph below, the shareholder vote is advisory only and does not bind the Directors, and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy.

In addition, the Corporations Act provides that, if a company's remuneration report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election. So, in summary, while the shareholder vote on a Remuneration Report is advisory in respect of that Remuneration Report, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives "2 strikes".

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

A voting exclusion statement is set out in the Notice of Meeting.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – MR RAY SHORROCKS

In accordance with clause 13.2 of the Company's Constitution, Mr Shorrocks retires and, being eligible, offers himself for re-election as a Director.

Mr Shorrocks has more than 25 years' experience in corporate finance and has advised a diverse range of mining and resource companies during his career at Patersons Securities Limited, one of Australia's largest full-service stockbroking and financial services firms. He has been instrumental in managing and structuring equity capital raisings as well as having advised extensively in the area of mergers and acquisitions.

The Directors, with Mr Shorrocks abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3: ELECTION OF DIRECTOR – MR NICHOLAS CASTELLANO

In accordance with clause 13.2 of the Company's Constitution, Mr Castellano retires and, being eligible, offers himself for election as a Director.

Mr Castellano is a Hydrocarbon Dynamics (HCD) founder and is the inventor of the HCD Multi-Flow technology. He spent a decade in the nuclear power program of the United States Navy, ultimately becoming the leading chief of the reactor laboratory division of the nuclear powered aircraft carrier the Dwight D. Eisenhower, where he assumed responsibilities for chemistries in the reactor plants. After leaving, Mr Castellano developed cutting edge chemistry and patented processes in the industrial water and oil industries. In the industrial water industry he founded an industrial water treatment company with clients such as Pepsi Cola, Coca Cola and United Dairymen. In the oil industry he focused on oil well chemistry, developing and founding the technology of HCD.

The Directors, with Mr Castellano abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: ELECTION OF DIRECTOR – MR STEPHEN MITCHELL

In accordance with clause 13.2 of the Company's Constitution, Mr Mitchell retires and, being eligible, offers himself for election as a Director.

Mr Mitchell has a Master's Degree in International Economics and Foreign Policy from John Hopkins University in Washington DC. Following which he spent 12 years as a natural resources specialist at investment banks and advisory firms in the US and Australia. From 1999-2011 Stephen was the Managing Director of Molopo Energy Ltd, an ASX-listed oil and gas Company that held assets in Australia, Canada, USA, China, India and South Africa. Under his stewardship, Molopo generated a 10 fold increase in shareholder value and expanded its market capitalization from less than \$1 million into an ASX 200 company.

The Directors, with Mr Mitchell abstaining, unanimously recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5: RATIFICATION OF PRIOR SHARE PLACEMENT

The Company issued 120,000,000 fully paid ordinary shares on 29 December 2023 to sophisticated and professional investors in a private placement.

Resolution 5 seeks Shareholder ratification for the allotment and issue on the dates referred to above of 120,000,000 shares which will have the effect of "refreshing" the Company's 15% limit for the issue of securities under the ASX Listing Rules. Not only will this approval give the Company the capacity to raise additional capital (to the 15% limit) without the need for shareholder approval, it provides the benefit of giving the Company flexibility in its funding endeavours.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. This issue does not fit within any of these exceptions and, as it has not yet been approved by shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date. Listing Rule 7.4 allows shareholders to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without shareholder approval under that rule. HCD wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

The Company proposes Resolution 5 to ratify a previous issue of Shares in accordance with Listing Rule 7.4. The Company confirms that the allotment and issue of the Shares the subject of Resolution 5 did not breach Listing Rule 7.1.

Resolution 5: Specific information required by ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5 the following information is provided in relation to the share issues described in Resolution 5:

- (a) 120,000,000 fully paid ordinary shares were issued and allotted on 29 December 2023;
- (b) the issue price of the Shares was 0.45 cents;
- (c) the Shares issued are fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Share issue was made to various sophisticated and professional investors through Peloton Capital Pty Ltd, the broker appointed for the placement, and were not related parties of the Company; and
- (e) Proceeds raised of \$540,000 from the issue were used for working capital purposes as well as to advance new investment opportunities.

A Voting Exclusion Statement is set out in the Notice of Annual General Meeting which this Explanatory Statement accompanies.

The Directors unanimously recommend Shareholders vote in favour of Resolution 5.

RESOLUTION 6: RATIFICATION OF PRIOR OPTION ISSUE

On 5 February 2024, the Company issued a total of 40,000,001 unlisted options with an exercise price of 1.5 cents and expiring 5 February 2026 to sophisticated and professional investors who participated in the private placement on 29 December 2023 on the basis of one free option for every three shares issued.

Resolution 6 seeks shareholder ratification for the allotment and issue on the date referred to above of 40,000,001 options which will have the effect of "refreshing" the Company's 15% limit for the issue of securities under the ASX Listing Rules. Not only will this approval give the Company the capacity to raise additional capital (to the 15% limit) without the need for shareholder approval, it provides the benefit of giving the Company flexibility in its funding endeavours.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. This issue does not fit within any of these exceptions and, as it has not yet been approved by shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date. Listing Rule 7.4 allows shareholders to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without shareholder approval under that rule. HCD wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

The Company proposes Resolution 6 to ratify a previous issue of Shares in accordance with Listing Rule 7.4. The Company confirms that the allotment and issue of the Shares the subject of Resolution 6 did not breach Listing Rule 7.1.

Resolution 6: Specific information required by ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5 the following information is provided in relation to the unlisted options issued described in Resolution 6:

- (a) 40,000,001 unlisted options all with an exercise price of 1.5 cents and expiring on 5 February 2026 were issued on 5 February 2024;
- (b) the options were issued for no consideration;
- (c) the options were issued on the terms and conditions set out in Schedule 1;
- (d) the options were issued to various sophisticated and professional investors, who are not a related party to the Company and who participated in the Share Placement on 29 December 2023; and
- (e) no funds were raised.

A Voting Exclusion Statement is set out in the Notice of Annual General Meeting which this Explanatory Statement accompanies.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

RESOLUTION 7: CONSTITUTION UPDATE (WHOLLY VIRTUAL MEETINGS) (Special Resolution)

General

Section 136(2) of the Corporations Act provides that a company may modify its constitution if the company passes a special resolution. A special resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution. If Resolution 7 is passed by the requisite majority, the Constitution will be amended to amend rule 11.4 as described below, by inserting new provisions into the existing Constitution at the end of rule 11.4.

Use of virtual meeting technology

Resolution 7 proposes to amend the Constitution to allow shareholder meetings of the Company to be held wholly by means of technology. In order for meetings of shareholders to be held wholly virtually in accordance with legislative requirements, the Constitution must expressly permit this, and the current Constitution does not do so.

The Company's current Constitution does not permit the holding of wholly virtual general meetings. The Company would like to amend its Constitution to ensure that the Company will be able to take advantage of the increased flexibility and accessibility the virtual meetings provisions offer in respect of general meetings, especially in light of recent unforeseeable events that have highlighted the need for companies to be able to adapt quickly. This also reflects recent developments in law and general corporate practice for ASX-listed companies around the use of virtual meeting technology to host meetings of Shareholders.

The Directors believe the proposed amendment is an important step in ensuring the Company's Shareholders can continue to exercise their rights to participate in and vote at meetings with minimal disruptions in the event of future movement and gathering restrictions caused by a pandemic or otherwise.

Virtual meetings are those which are held entirely online utilising audio or audio and visual communication technology. Meetings may also be convened where a component is held in a physical location and individuals who cannot or do not wish to attend in person can participate by virtual means, which are referred to as hybrid meetings.

It is proposed that the Constitution be amended to amend rule 11.4 as described below, by inserting new provisions into the existing Constitution at the end of rule 11.4:

"Subject to the Company complying with any Corporations Act or other regulatory requirements in this regard, the Company may hold a general meeting wholly or in conjunction with any other arrangements using any virtual meeting technology approved by the Directors that gives the Shareholders (as a whole) a reasonable opportunity to participate and enables them to vote on a show of hands, on a poll or otherwise, as the case may require.

- (a) A meeting conducted using such virtual meeting technology may be:
 - (i) held concurrently at one or more physical venues and using virtual meeting technology; or
 - (ii) not held at any specified physical venue and held as a wholly virtual meeting, and participation in such a meeting will constitute presence as if in person at such a meeting.
- (b) If the Directors elect to use virtual meeting technology for a general meeting of the Company, the Directors will determine the type of virtual meeting technology to be used, and for the purposes of clause 11.5(a), the notice of meeting must set out the details of the virtual meeting technology for the general meeting.
- (c) If before or during a general meeting any technical difficulty occurs such that the Shareholders do not have a reasonable opportunity to participate, the chair may:
 - (i) adjourn the meeting for a reasonable period until the technical difficulty is remedied; or
 - (ii) where a quorum remains present (either at the place at which the chair is present or by virtual meeting technology as contemplated by this article 11.4 and able to participate, continue the meeting (subject to the Corporations Act).
- (d) In no circumstances shall the inability of one or more Shareholders to access, or to continue to access, virtual meeting technology affect the validity of a meeting or any business conducted at a meeting, provided that sufficient Shareholders are able to participate in the meeting as are required to constitute a quorum.

- (e) For the purposes of clauses 11.4, 11.5(a), 11.7(a), 12.1 and 12.9 a reference to 'place' or 'venue' also includes a reference to any virtual meeting technology used, where a general meeting is being held in accordance with this rule 11.4.
- (f) Nothing in this clause 11.4 is to be taken to limit the powers conferred on the chairman under the Corporations Act and this Constitution.
- (g) The effect of any such meeting is that a person who so participates will be taken to participate in, attend, be present at, or be admitted to (as the case may be), the meeting for the purposes of this Constitution and any requirement under the Corporations Act or any other regulatory requirement."

The Directors unanimously recommend Shareholders vote in favour of Resolution 7.

RESOLUTION 8: APPROVAL OF 10% PLACEMENT FACILITY (Special Resolution)

General

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities (as that term is defined in the ASX Listing Rules) up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 1(c) below). The Company may use funds raised from any 10% Placement Facility for its business development expenditure requirements and general working capital.

1. Description of ASX Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of the Notice, the Company has one class of Equity Securities on issue being Fully Paid Ordinary Shares.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of the number of fully paid ordinary securities on issue at the commencement of the relevant period:

- (a) plus the number of fully paid +ordinary securities issued in the relevant period under an exception in rule 7.2 other than exception 9, 16 or 17,
- (b) plus the number of fully paid +ordinary securities issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the +convertible securities was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,

- (c) plus the number of fully paid +ordinary securities issued in the relevant period under an agreement to issue +securities within rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,
- (d) plus the number of any other fully paid +ordinary securities issued in the relevant period with approval under rule 7.1 or rule 7.4,
- (e) plus the number of partly paid +ordinary securities that became fully paid in the relevant period,
- (f) less the number of fully paid +ordinary securities cancelled in the relevant period;

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement has not been subsequently approved by the holders of its ordinary securities under ASX Listing Rule 7.4.

ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 1(c) above).

(d) **Minimum Issue Price**

The issue price of Equity Securities issued under ASX Listing Rule 7.1A be in an existing quoted class and issued for cash consideration per security which is not less than 75% of the volume weighted average market price of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(e) **10% Placement Period**

Assuming Resolution 8 is passed, Shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- (1) The date that is 12 months after the date of this AGM; or
- (2) The time and date of the entity's next annual general meeting; or
- (3) The time and date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking); or

or such longer period if allowed by ASX.

2. ASX Listing Rule 7.1A

The effect of Special Resolution 8 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under ASX Listing Rule 7.1. If a Special Resolution is not passed the Company will only be able to issue Equity Securities without shareholder approval that fall within the 15% placement capacity under ASX Listing Rule 7.1.

Resolution 8 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

3. Specific Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued in an existing quoted class and be issued for cash consideration per security which is not less than 75% of the volume weighted average market price for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 8 is approved by the Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of unlisted options, only if the unlisted options are exercised). There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a prorata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in ASX Listing Rule 7.1A.2 (number of shares on issue)	50% decrease in Issue Price \$0.002		Issue Price \$0.004		100% Increase in Issue Price \$0.008	
	10% Voting Dilution	Funds raised	10% Voting Dilution	Funds raised	10% Voting Dilution	Funds raised
808,582,352 (current)	80,858,236	\$161,716	80,858,236	\$323,433	80,858,236	\$646,866
1,212,873,528 (50% increase in current Variable A)	121,287,354	\$242,575	121,287,354	\$485,149	121,287,354	\$970,299
1,617,164,704 (100% increase in current Variable A)	161,716,472	\$323,433	161,716,472	\$646,866	161,716,472	\$1,293,732

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting;
 - (ii) No options or incentive rights are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A. The Company has no Unlisted Options on issue at the date of this Notice of Meeting;
 - (iii) The table does not demonstrate an example of dilution that may be caused to a particular shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting;
 - (iv) The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule";
 - (v) The price of ordinary securities is deemed for the purposes of the table above to be \$0.004, being the closing price of the Company's listed securities on ASX on 5 April 2024 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 20% discount to market that the securities may be placed at;
 - (vi) The table does not demonstrate the effect of listed or unlisted options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.
- (c) As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which the Company anticipates will end on 18 May 2024. The approval under Resolution 8 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking) before the anniversary of the AGM or at the time and date of the entity's next annual general meeting.

- (d) The Company may seek to issue the Equity Securities for the following purposes:

The Company intends to use the funds raised towards continued business development of the Company's technology, the assessment of new investment opportunities in the energy and energy technology sector and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (e) The Company has previously obtained Shareholder approval under ASX Listing Rule 7.1A at its Annual General Meeting held on 18 May 2023.

- (f) A voting exclusion statement is included in the Notice of Meeting to which this Explanatory Statement relates. At the date of that Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4. Additional Information required by ASX Listing Rule 7.3A.6

As the Company has previously obtained approval under Listing Rule 7.1A, the following additional information as prescribed by that Rule is provided:

Listing Rule 7.3A.6(a): Total equity securities issued in previous 12 months:

Listing Rule 7.3A.6(a)	Shares	Unlisted Options
Number of equity securities on issue at commencement of 12 month period	649,665,911	62,605,411
Equity securities issued in prior 12 month period ¹	158,916,451	40,000,001
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	24.5%	63.9%

Note 1: see the table on the following page for details of equity securities issued in the previous 12 months.

A Voting Exclusion Statement is set out in the Notice of Meeting.

At the date of the Notice, the proposed allottees of any securities which may be issued in accordance with this resolution are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the securities which may be issued in accordance with this resolution), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

Resolution 8 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by shareholders entitled to vote on Resolution 8 must be in favour of the resolution.

The Directors of the Company believe that Special Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Listing Rule 7.3A.6(b): Details of equity securities issued in previous 12 months

Date of Issue:	Number Issued:	Class/ Type of equity security:	Summary of terms:	Names of persons who received securities or basis on which those persons were determined:	Price at which equity securities were issued:	Discount to market price (if any):	<i>For cash issues:</i>				<i>For non-cash issues:</i>	
							Total cash consideration received:	Amount of cash consideration spent:	Use of cash consideration:	Intended use for remaining amount of cash (if any):	Non-cash consideration paid:	Current value of that non-cash consideration:
29/12/23	120,000,000	Fully paid ordinary shares	Shares rank pari passu with all other fully paid ordinary shares on issue in the Company	Unrelated Sophisticated investors in a private placement	\$0.0045	None	\$540,000	\$250,000	Development and working capital	Development and working capital	N/A	N/A
5/2/24	40,000,001	Unlisted options	Options with an exercise price of \$0.015 and an expiry date of 5/2/26	Unrelated Sophisticated investors that purchased shares on 29/12/23 received 1 Option for 3 shares purchased	Nil cash consideration	None	Nil	N/A	N/A	N/A	N/A	N/A
12/2/24	38,916,451	Fully paid ordinary shares	Shares rank pari passu with all other fully paid ordinary shares on issue in the Company	Share Purchase Plan	\$0.0045	None	\$175,124	Nil	N/A	Development and working capital	N/A	N/A

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

1. Entitlement

- (a) Each Option entitles the Optionholder to subscribe for, and be allotted, one fully paid ordinary Share.
- (b) A Share issued on the exercise of the Option shall be an ordinary share and will be fully paid up on payment of the Exercise Price. A Share issued on exercise of the Option shall rank equally with all existing ordinary Shares on issue, as at the exercise date, and will be issued subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on thereon by ASX.

2. Exercise of Option

- (a) Each Option is exercisable at any time from the date of grant until its expiry at 5.00 pm (Melbourne Time) on 5 February 2026.
- (b) The exercise price shall be 1.5 Cents (“**Exercise Price**”).
- (c) The Option shall be exercisable by the Optionholder executing a notice of exercise of Option in a form required by HCD (“**Exercise Notice**”) and delivering same to the registered address of the Company at the time of exercise or by delivering same to the Company’s share registry, in both cases accompanied by payment of the Exercise Price for the Option as applicable during the Exercise Period during which the Option is exercised. Any Exercise Notice may be sent by facsimile to the Company or such share registrar and payment of the Exercise Price may be made by electronic transfer of funds to a bank account nominated by the Company from time to time by whatever method may be acceptable to the Company. Any funds transferred by electronic transfer of funds will be deemed received by the Company at the time at which the electronic transfer of funds is made by the Optionholder provided that such funds are duly received by the Company or the share registry in due course.
- (d) If the Option is not exercised before the end of the Exercise Period the Option will lapse.

3. Quotation

- (a) Unless otherwise required by ASX, the Company will not apply to ASX for official quotation of the Option and it will remain unlisted.
- (b) If the Shares of the Company are quoted on ASX, the Company will apply to ASX for, and will use its best endeavours to obtain quotation of all Shares issued on the exercise of the Option within the time limits required pursuant to the ASX Listing Rules. The Optionholder by these terms of grant acknowledges that admission to quotation of any Share issued on exercise of the Option is within the discretion of ASX and that the Company gives no assurance that such quotation will be granted.

4. Participation in Securities Issues

Subject only to the provisions of clause 5 below (Participation in a Reorganisation of Capital) and subject to the provisions of any order of the Court to the contrary, the holder of the Option is not entitled to participate in new issues of securities by the Company or by any of its subsidiaries or controlled entities without first having exercised the Option.

5. Participation in a Reorganisation of Capital

- (a) In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Optionholder will be changed in accordance with the ASX Listing Rules applying to a restructure or reorganisation, provided always that the changes to the terms of the Options do not result in any benefit being conferred on the Optionholder which is not conferred on shareholders of the Company.

(b) In any reorganisation as referred to in (a) the Option and all other Options of the same class (“**the Options**”) will be treated in the following manner:

- (i) in the event of a consolidation of the share capital of the Company, the number of Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
- (ii) in the event of a subdivision of the share capital of the Company, the number of Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
- (iii) in the event of a return of the share capital of the Company, the number of Options will remain the same and exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
- (iv) in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Options and the exercise price of each Option will remain unaltered;
- (v) in the event of a pro-rata cancellation of shares in the Company, the number of Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Option will be amended in inverse proportion to that ratio; and
- (vi) in the event of any other reorganisation of the issued capital of the Company, the number of Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on the holders of Shares.

6. Adjustment to Options and Exercise Price

(a) Adjustments to the number of Shares over which Options exist and/or the exercise price may be made as described in this clause to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.

(b) The method of adjustment for the purpose of this clause shall be in accordance with the ASX Listing Rules from time to time.

(c) If there is a pro rata bonus issue to the holders of the underlying securities, then, on the exercise of any Option, the number of Shares received will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date (within the meaning of the ASX Listing Rules) for the bonus issue. The exercise price will not change.

7. Transfer

The Option is fully transferable subject only to any restrictions placed on transfer by the ASX in accordance with the ASX Listing Rules or which may be imposed by any resolution pursuant to which the Option shall have been granted or approved for grant.

If you are attending the Meeting in person, please bring this with you for Securityholder registration.

Hydrocarbon Dynamics Limited | ABN 75 117 387 354

Your proxy voting instruction must be received by **09.30am (AEST) on Monday, 27 May 2024**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of Key Management Personnel.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

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