

Hydrocarbon Dynamics Limited 

(ABN 75 117 387 354)

**ANNUAL REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2025**

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DIRECTORS' REPORT

In accordance with a resolution of directors, the Directors present their report together with the Annual Report of Hydrocarbon Dynamics Limited and its wholly owned subsidiaries (together referred to as the 'Group') for the financial year ended 31 December 2025 and the Independent Audit Report thereon. In order to comply with the provisions of the *Corporations Act 2001*, the Directors Report as follows:

1. INFORMATION ON DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

(a) RAY SHORROCKS

Non-Executive Director (appointed 12 January 2016)

Special responsibilities:

Chair of the Board (appointed 1st February 2026)

Chair of the Remuneration and Nomination Committee (ceased 3 March 2026)

Chair of the Audit Committee (ceased 3 March 2026)

Member of the Remuneration and Nomination Committee

Member of the Audit Committee

Experience:

Mr Shorrocks has more than 22 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.

Directorships held in other listed entities in the last three years:

He also holds, or has held, directorships in the following ASX listed companies in the last three years:

- Alicanto Minerals Ltd (appointed 7 August 2020)
- Firefly Metals Ltd (appointed 28 January 2020, resigned 19 March 2024)
- Galilee Energy Limited (appointed 2 December 2013, resigned 19 December 2025)
- Cygnus Metal Ltd (appointed 30 June 2020)
- Andean Silver Limited (formerly Mitre Mining Limited) (appointed 7 February 2023)

(b) STEPHEN MITCHELL

Non-Executive Director (appointed 12 January 2016)

Special responsibilities:

Chair of the Board of Directors (resigned 1 February 2026)

Chair of the Remuneration and Nomination Committee (appointed 3 March 2026)

Chair of the Audit Committee (appointed 3 March 2026)

Experience:

Stephen has a Masters Degree in International Economics and Foreign Policy from Johns 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 substantial increase in shareholder value and expanded its market capitalisation from less than \$1 million into an ASX 200 company.

Directorships held in other listed entities in the last three years:

None

(c) NICK CASTELLANO

Executive Director (appointed 6 April 2017)

Special responsibilities:

Member of the Remuneration and Nomination Committee
 Member of the Audit Committee

Experience:

Nick is a Hydrocarbon Dynamics founder and is the inventor of the HCD Multi-Flow® technology. Nick 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, Nick developed cutting edge chemistry and patented processes in the industrial water and oil industries. In the industrial water industry Nick founded an industrial water treatment company with clients such as Pepsi Cola, Coca Cola and United Dairymen. In the oil industry Nick focused on oil well chemistry, developing and founding the technology of HCD. Nick has a Bachelor of Science Degree in Biochemistry, a Masters Degree in Biochemistry and completed his MA PHD at Canterbury University.

Directorships held in other listed entities in the last three years:

None.

Director Interests

The relevant interest of each director in the shares, rights or options over such instruments issued by the companies within the Group, as notified by the directors to the Australian Securities Exchange in accordance with *S205G(1) of the Corporations Act 2001 and Reg. 2M.3.03(1) of the Corporations Regulations 2001*, at the date of this report is as follows:

Director	Ordinary shares
Stephen Mitchell	164,581,702
Nicholas Castellano	6,168,140
Ray Shorrocks	86,342,050

There are no contracts to which a director is a party or under which a director is entitled to a benefit that confer a right for the Director to call for shares in the Company.

2. COMPANY SECRETARY

Ms Julie Edwards was appointed Company Secretary on 1 July 2016 and continues in office at the date of this report.

Julie holds a Bachelor of Commerce degree, is a member of CPA Australia and holds a Public Practice Certificate. Ms Edwards is a director and manager of Lowell Accounting Services and also provides company secretarial services for a number of other ASX listed companies and unlisted companies.

3. DIRECTORS' MEETINGS

The number of meetings of the Board and of each Board Committee held during the year (while each director was a director or committee member) and the number of meetings attended by each director are set out below:

	Board of Directors		Audit Committee		Remuneration & Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Stephen Mitchell	11	11	1	1	-	-
Nicholas Castellano	11	11	1	1	-	-
Ray Shorrocks	11	10	1	1	-	-

This disclosure is made in accordance with *s.300(10)(c) of the Corporations Act 2001*.

4. REMUNERATION REPORT – AUDITED

The directors of the Company present the Remuneration Report, prepared in accordance with section 300A of the *Corporations Act 2001*, AASB124 *Related Party Disclosures* and Principle 8 of the ASX Corporate Governance Principles and Recommendations. This report outlines the remuneration arrangements in place for the non-executive directors, executive directors and other Key Management Personnel of the Group.

This report has been audited, as required by section 308(3C) of the *Corporations Act 2001*.

Remuneration Committee

The Board has established a Remuneration Committee which provides advice and specific recommendations on the remuneration packages and other terms of employment for executive directors, other senior executives; and non-executive directors including:

- the level of non-executive director fees;
- the amount and nature of remuneration arrangements for executive directors and other executives; and
- the type and nature of incentive arrangements including key performance targets effecting the remuneration of the executive team.

The objective of the Remuneration Committee is to ensure that the remuneration policies and arrangements are designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees.

The level of remuneration and other terms and conditions of employment for executive directors and Company executives are reviewed annually having regard to performance and relevant comparative information, and are approved by the Board after the Remuneration Committee has sought independent professional advice, as required. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility. No meeting of the Remuneration Committee was held during the year.

Given the small number of directors, the Board fulfilled the role of the Remuneration Committee. The Corporate Governance Statement provides further information on the role of this Committee.

Key Management Personnel

Key Management Personnel includes:

Stephen Mitchell	Non-Executive Chairman
Nicholas Castellano	Executive Director
Ray Shorrocks	Non-executive Director
Julie Edwards ¹	Company Secretary and Financial Controller

1. Julie Edwards is remunerated via an external accounting firm, Lowell Accounting Services Pty Ltd.

Non-executive Director Remuneration

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No meeting was held or advice was sought during the 2025 financial year.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The latest determination was in the ASX announcement on 4 February 2016 after shareholders approved an aggregate pool limit of \$300,000.

Non-executive directors' fees (inclusive of superannuation) have generally been paid on the following basis:

Director fees	2025	2024
	\$	\$
Base fees	5,000	36,000
Chair of the Board	-	18,000
Chair of a committee	-	12,000
Member of a committee	-	6,000

All director fees ceased between 1 July 2025 to 31 December 2025.

Executive Remuneration Policy

The objective of the executive remuneration policy is to ensure that the Group's remuneration arrangements are competitive and reasonable, enabling it to attract and retain the right calibre of staff and to align the remuneration of executive directors and other executives with shareholder and business objectives. Executive remuneration arrangements comprise a fixed remuneration component and may also include specific long-term incentives based on key performance areas affecting the Group's financial and/or operational results as follows:

- (a) a base salary (which is based on factors such as length of service, qualifications and experience), superannuation, fringe benefits and performance incentives;
- (b) short-term performance incentives in the form of cash or equity bonuses which are paid only when predetermined key performance indicators have been met. These reflect the achievement of a number of short term goals established on an annual basis;
- (c) executives engaged through professional service entities are paid fees based on an agreed market based hourly rate for the services provided and may also be entitled to short term performance based incentives; and
- (d) long-term performance-based incentives comprising performance rights which are designed to align the remuneration of executives with the business objectives of the Group and its shareholders. LTIs may be delivered in an equity award(s), which is granted upon the satisfaction of performance conditions/key performance indicators.

The Remuneration Committee charter requires to review executive remuneration arrangements annually by reference to the Group's performance, executive performance and comparable information from industry sectors. However, during 2025 no meetings were held for the Committee and any related matters were directly reviewed by the Board of Directors due to the limited size of the entity. Such reviews may include, but are not limited to, changing the total proportion of executive remuneration which is 'at-risk', the payment of short term/long term incentives and the proportion of the at risk remuneration between short term/long term incentives.

All remuneration paid is valued at either cost or the fair value to the Group and expensed.

Summary of Executive Remuneration

Name / position	Contract	Terms per annum	Total remuneration per annum
Nicholas Castellano Executive Director	Yes	US\$120,000 per annum. Remuneration increases to US\$180,000 once the Group achieves at least three consecutive months of 40 HCD drum sales. No termination benefits apply other than outstanding and owing consultant fees at the date of termination. Remuneration payments ceased by agreement from 1 April 2024.	US\$120,000

Total Reward Mix

The amount of remuneration ‘at-risk’ is generally expressed as a proportion of fixed remuneration and is related to the agreement on remuneration between the Group and the executive, the Group’s expectations of executive performance, and the executive’s position in the Group. The proportion of fixed remuneration will generally not change on a year to year basis, but may be reviewed and modified by the Board.

Fixed remuneration (including the superannuation levy payable as employer contribution) is set with reference to market data, reflecting the scope of the role and the performance of the person in the role.

The mix of short term and long term incentives offered to executives will depend on their position in the Group. Generally, long term incentives are only offered to members of the senior executive team and short term incentives are only offered to other employees. Short and long term incentives are classified as ‘at-risk’ remuneration.

The Board believes that remuneration arrangements for executives should typically incorporate an at-risk component which is performance related and rewards employees for the achievement of goals which contribute to shareholder wealth. The Board believes that such arrangements should both incentivise and reward performance of executives that adds value to the Group for all shareholders.

Share Trading Policy

Shares issued under any of the Group's employee equity plans are subject to, and conditional upon, compliance with the Group's Securities Trading Policy. Executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means. The Group’s equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

Details of Remuneration

Details of remuneration of each of the Key Management Personnel of the Group during the financial year are set out in the following table:

	YEAR	SHORT TERM BENEFITS		LONG TERM BENEFITS	POST EMPLOY- MENT	EQUITY BASED PAYMENTS	TOTAL	PERFOR- MANCE RELATED
		CASH, SALARY & FEES	RELATED PARTY FEES ¹		SUPER- ANNUATION	PERFORMANCE RIGHTS		
					\$	\$		
NON-EXECUTIVE DIRECTORS								
Stephen Mitchell	2025	22,406	4,000	-	3,094	-	29,500	0%
	2024	9,000	-	-	-	-	9,000	0%
Ray Shorrocks	2025	26,906	-	-	3,094	-	30,000	0%
	2024	-	31,500	-	-	-	31,500	0%
EXECUTIVE DIRECTORS								
Nicholas Castellano	2025	30,000	-	-	-	-	30,000	0%
	2024	45,755	-	-	-	-	45,755	0%
OTHER KEY MANAGEMENT								
Julie Edwards ²	2025	-	19,200	-	-	-	19,200	0%
	2024	-	19,200	-	-	-	19,200	0%
TOTAL	2025	79,312	23,200	-	6,188	-	108,700	0%
TOTAL	2024	137,063	50,700	-	-	-	187,763	0%

1. Remuneration paid via Director and Company Secretary related entities.
2. Paid to Lowell Accounting Services Pty Ltd for Company Secretarial services.

Comparison of Key Management Personnel Remuneration to Group Performance

The table below shows the total remuneration cost of the Key Management Personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end for the current year and previous four years.

Relation to performance	2025	2024	2023	2022	2021
Total remuneration (\$)	108,700	187,763	731,971	690,132	388,244
EPS (loss) cents	(0.08)	(0.12)	(0.57)	(0.31)	(0.76)
Dividends paid	-	-	-	-	-
Share price at year end (\$)	0.003	0.002	0.004	0.014	0.013

Key Management Personnel Shareholdings

The number of ordinary shares in the Group held by each of the Key Management Personnel of the Group is as follows:

KMP	Balance at beginning of the year	Shares purchased	related party cessation	Balance at end of the year
Stephen Mitchell	119,081,702	45,500,000	-	164,581,702
Nicholas Castellano	6,168,140	-	-	6,168,140
Ray Shorrocks	36,462,050	50,000,000	(120,000)	86,342,050
Julie Edwards	168,000	-	-	168,000

All shares purchased by KMP were either on-market or part of the Group's capital raises.

Unlisted Options

The movements in the current year of the number of options held by Key Management Personnel are as follows:

KMP	Balance at beginning of the year	Acquired during the year	Number of options expired	Employment ceased	Number at end of year
Stephen Mitchell	30,816,339		30,816,339	-	-
Ray Shorrocks	14,556,410		14,556,410	-	-

The unlisted options expired on 15 November 2025.

Related Party Transactions

During the year, the Group paid the following amounts to related party entities:

- No director fees were paid to Spring Street Holdings Pty Ltd (2024: \$31,500), a company associated with Ray Shorrocks.
- \$30,000 (2024: \$45,755) of director fees, \$301,256 (2024: \$291,608) of royalties and \$164,128 (2024: \$93,856) for inventory purchases from NC2 LLC, a company associated with Nicholas Castellano.
- \$75,600 (2024: \$106,800) was invoiced from Lowell Accounting Services for accounting and rent, an entity of which Julie Edwards is a director. \$6,300 (2024: \$37,800) remains payable at balance date.
- \$19,200 (2024: \$19,200) was invoiced from Lowell Accounting Services for secretarial services, an entity of which Julie Edwards is a director. \$1,600 (2024: \$1,600) remains payable at balance date.
- \$4,000 (2024: nil) for consulting fees was paid to Malangi Pty Ltd (2024: nil), a company associated with Stephen Mitchell.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

END OF AUDITED REMUNERATION REPORT

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were sales and marketing of HCD's proprietary products as well as the evaluation of oil and gas projects and energy technologies in North America and internationally. There have been no significant changes in the nature of the Group's principal activities during the financial year.

6. OPERATING AND FINANCIAL REVIEW

The Group produced a loss of \$984,482 (2024: \$996,375). The Group had a net outflow from operating activities of \$689,084 (2024: \$867,975) and a net asset position on 31 December 2025 of \$767,174 (2024: \$929,784).

The Group successfully undertook a 1-for-3 non-renounceable entitlement offer in August 2025 raising \$718,741.

The Group's activities are subject to a number of risks which may impact future financial performance. In order to fund the future growth of the Group's business it will be necessary for the Board to consider potential capital raisings. There is uncertainty about the Group as a going concern as the Group has limited current revenue and there is no certainty that further product sales will be generated. Further details regarding going concern can be found at Note 2 of the financial report.

Activities within the oil and gas industry by its nature are high risk. The operations of customers can be affected by a significant number of factors, risks, issues and costs. These have a potential flow on effect as far as the Group is concerned, potentially putting strain on its customer and channel relationships. Competitive pressures can impact on the Group's ability to successfully engage with the more established channel partners. There is also a risk that the Group's competitors may seek to reverse engineer the Group's products.

Whilst the Group owns the intellectual property relating to the Multi-Flow products as long as it continues to pay the royalty, it will not be granted access to the formulas and related know-how until completion of the maximum royalty agreement payment in the absence of certain specified exceptions. There is a potential risk which arises simply because these formulas and related know-how are not held directly by the Group and are held by an escrow agent.

Projects and Activities

The Group's oilfield chemical technology is a unique technology that reduces the viscosity of oil. The technology can be applied to: 1) lowering the temperature at which paraffins and asphaltenes in some crude oils solidify; 2) improve oil flow rates in wells and pipelines producing or transporting viscous crudes; 3) enhance production by reversing formation damage resulting in increased field recovery and economics, 4) reduce the requirement of expensive light crude oil (diluent) traditionally mixed in with the viscous crudes to enable them to be pumped from the reservoir and to meet pipeline viscosity and gravity specifications and; 5) recover saleable oil from sludge in storage facilities.

Sales and Marketing Activities

The Group's strategy focuses on geographical locations that will provide the greatest probability of success for continuous applications such as ongoing paraffin and asphaltene inhibition treatments, pipeline treatment, heavy oil treatment and enhanced oil recovery, while maintaining a strong sales pipeline.

The Group's strategic priorities include building a network of agents and distributors globally and assisting in their sales efforts. The Group also pursues direct sales utilising already established networks to shorten the sales cycle and hasten growth.

Australia – Cooper Basin

Use of HCD Multi-Flow in Australia's Cooper Basin is expected to continue in the cooler months. The product has been used by an Australian based operator for several years now for seasonal paraffin control treatment that takes place in winter months.

Dubai

The Groups Dubai based distributor submitted a further quote to their client for approximately \$240,000 of product for what would be a repeat order, the order has not yet been received.

USA

A small Californian company is testing paraffin inhibition for onshore production. The first test on one well was successful, leading to an order to expand the trial to two wells.

Alberta, Canada

One of the Groups Canadian distributors identified 3 new opportunities among their new clients in the Alberta Oil Fields that they believe would benefit from the use of HCD Multi-Flow. Two of these are paraffin affected well opportunities and one an oil transfer line opportunity. Oil samples from one of these projects was received for testing with HCD Multi-Flow. Testing has been completed by an independent laboratory in Canada with results showing that Multi-Flow reduced the operating pressure of the system by 50%. Discussions for field trials have now commenced.

North Sea Application

The North Sea application intermittently used HCD Multi-Flow. The client however has reported that, due to low oil prices, they are considering shutting this unit down.

Indonesia

PT AIM (Indonesia) have provided the Group with a well data sheet, photos, and videos of the crude samples when blended with HCD Multi-Flow with promising initial results performed in bench tests with HCD Multi-Flow and the Indonesian crude samples. Customer now contemplating a field trial.

Pakistan

Discussions are continuing on a 4-week trial treating oil field transfer lines. Should the trial proceed the approximate number of drums required is estimated to be in excess of 200 drums of HCD Multi-Flow. A forthcoming change in management at this site is likely to lead to delays in progressing this opportunity.

Vietnam

Samples of HCD Multi-Flow have been shipped to Petro Vietnam for Flow Loop laboratory testing. Should testing demonstrate positive results the client, PetroVietnam, will consider a 4 well field trial.

Oil Projects

The Group has an existing royalty agreement on any oil production from its former project in Utah though this field is only at the appraisal stage. No tenement interests are owned at the date of this report. The Group continued to review investment opportunities in upstream oil and gas, energy technology and the broader energy industry.

7. SIGNIFICANT AFFAIRS

There have not been any other significant changes in the state of affairs of the Group for the financial year ended 31 December 2025 apart from that noted in clause 16 below.

8. LIKELY DEVELOPMENTS

The Group will also continue to consider options to finance its existing chemical business through joint ventures, private equity, and other avenues. Other developments have been reported in the Events Subsequent To Reporting Date.

9. DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the financial year.

10. ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group is subject to various environmental regulations in relation to the export and transport of its HCD Multi-Flow products internationally.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group. No government agency has notified the Group of any environmental breaches during the year ended 31 December 2025.

11. UNISSUED SHARES UNDER OPTION

The Company has no unissued shares under option at the date of the Directors' Report.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Directors, executives and the company secretaries are indemnified by the Group against any liability incurred in their capacity as an officer of the Group or a related body corporate to the maximum extent permitted by law. The Group has not paid any premiums in respect of any contract insuring the Directors of the Group against a liability for legal costs.

The Group has not paid any premiums in respect of any contract insuring its auditor against a liability incurred in that role as an auditor of the Group. In respect of non-audit services, Pitcher Partners have the benefit of an indemnity to the extent they reasonably rely on information provided by the Group which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ended 31 December 2025 or to the date of this report.

13. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The following fees were paid or payable for services provided by Pitcher Partners, the previous auditor of the Group:

	2025	2024
	\$	\$
Auditing or reviewing the financial statements	26,700	62,000
Non-audit services	-	-
	26,700	62,000

The following fees were paid or payable for services provided by Nexia Melbourne Audit, the current auditor of the Group:

	2025	2024
	\$	\$
Auditing or reviewing the financial statements	26,000	-
Non-audit services	-	-
	26,000	-

This disclosure is made in accordance with s.300(2A)(11B(a)) and (11C(b)) of the *Corporations Act 2001*.

The Board of Directors will continuously consider the position and, in accordance with advice received from the Audit Committee, ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The auditor's independence declaration under section 307C of the *Corporations Act 2001* forms a part of the Annual Report for the year ended 31 December 2025.

14. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

15. ROUNDING OFF

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the Financial Report and Directors' Report have been rounded off to the nearest dollar, unless otherwise stated.

16. EVENTS SUBSEQUENT TO REPORTING DATE

The Group has entered into a conditional binding agreement with White Cliff Minerals Ltd (ASX: WCN) to acquire the Great Bear Copper-Gold-Silver-Uranium Project, located in the Northwest Territories, Canada.

The Group is proposing to acquire a 100% interest in the Great Bear Project under the Proposed Acquisition. To give effect to the Proposed Acquisition, ASX has advised that the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules. As part of the Proposed Acquisition and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, the Company intends to:

- (a) raise a minimum of \$5.5 million by the issue of 275,000,000 fully paid ordinary shares in the capital of HCD (Shares) at an offer price of \$0.02 per Share (on a post-Consolidation basis) pursuant to a public offer (Public Offer) to be made under a full-form prospectus;
- (b) undertake a consolidation of its issued capital on a 1:10 basis (Consolidation);
- (c) change its name to 'Great Bear Exploration Ltd' to reflect the new direction and activities of the Company;
- (d) change its ASX code to ASX:GRL to align with the proposed new name; and
- (e) apply to ASX for reinstatement of trading in its Shares on ASX.

The implementation and completion of the Proposed Acquisition, the Public Offer and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules is subject to the Company obtaining certain shareholder approvals in general meeting.

In the opinion of the directors, there are no other events apart from those noted above that have arisen in the interval between the end of the financial year and the date of this report that has significantly affected, or may significantly affect the Group's operations, results or the state of affairs in future financial years.

This report is signed in accordance with a resolution of the directors.



Ray Shorrocks
Chairman
Melbourne, Victoria
23 March 2026

To the Board of Directors of Hydrocarbon Dynamics Limited

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead auditor for the audit of the financial statements of Hydrocarbon Dynamics Limited for the financial year ended 31 December 2025, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Melbourne Audit Pty Ltd
Melbourne



Richard Cen
Director

Dated this 23rd day of March 2026

Advisory. Tax. Audit.

Registered Audit Company 291969

Nexia Melbourne Audit Pty Ltd (ABN 86 005 105 975) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Group	
		2025	2024
		\$	\$
REVENUE AND OTHER INCOME			
Revenue from contracts with customers	5	409,762	159,278
Other income	5	10,006	14,557
		419,768	173,835
EXPENSES			
Director and employee related costs	5	(83,835)	(181,884)
Productions costs	5	(385,104)	(140,665)
Royalties	18	(301,256)	(291,608)
General and administration costs		(183,594)	(108,201)
Accounting and audit fees		(157,783)	(173,765)
Professional consultant and contractor fees		(59,475)	(71,963)
Insurance costs		(104,803)	(114,904)
Property expenses		(68,279)	(78,499)
Development and testing expenses		(5,567)	(3,352)
Depreciation and amortisation costs	5	(1,516)	(1,537)
Finance expenses		(3,038)	(3,832)
Net fair value loss on investments		(50,000)	-
		(1,404,250)	(1,170,210)
LOSS BEFORE INCOME TAX		(984,482)	(996,375)
Income tax benefit/(expense)	6	-	-
LOSS FOR THE YEAR		(984,482)	(996,375)
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(5,009)	1,780
TOTAL OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		(5,009)	1,780
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(989,491)	(994,595)
Loss attributable to owners of the parent		(984,482)	(996,375)
Comprehensive loss attributable to owners of the parent		(989,491)	(994,595)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share (cents)	15	(0.08)	(0.12)
Diluted loss per share (cents)	15	(0.08)	(0.12)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	Group	
		2025	2024
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	770,205	770,159
Trade and other receivables	8	19,572	12,743
Prepayments		48,353	54,385
Inventory	9	56,197	243,824
Other financial assets	10	76,837	-
TOTAL CURRENT ASSETS		971,164	1,081,111
NON-CURRENT ASSETS			
Plant and equipment		6,381	6,021
TOTAL NON-CURRENT ASSETS		6,381	6,021
TOTAL ASSETS		977,545	1,087,132
CURRENT LIABILITIES			
Trade and other payables	11	210,371	157,348
TOTAL CURRENT LIABILITIES		210,371	157,348
TOTAL LIABILITIES		210,371	157,348
NET ASSETS		767,174	929,784
EQUITY			
Issued capital	12	69,970,856	69,143,975
Reserves	12	(781,913)	(776,904)
Accumulated losses		(68,421,769)	(67,437,287)
TOTAL EQUITY		767,174	929,784

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2025

Consolidated	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 January 2024	68,433,925	(778,684)	(66,440,912)	1,214,329
Loss for the year	-	-	(996,375)	(996,375)
Other comprehensive gain (loss) for the year	-	1,780	-	1,780
Total comprehensive loss for the year	-	1,780	(996,375)	(994,595)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	710,050	-	-	710,050
	710,050	-	-	710,050
Balance at 31 December 2024	69,143,975	(776,904)	(67,437,287)	929,784
Balance at 1 January 2025	69,143,975	(776,904)	(67,437,287)	929,784
Loss for the year	-	-	(984,482)	(984,482)
Other comprehensive gain (loss) for the year	-	(5,009)	-	(5,009)
Total comprehensive loss for the year	-	(5,009)	(984,482)	(989,491)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	826,881	-	-	826,881
	826,881	-	-	826,881
Balance at 31 December 2025	69,970,856	(781,913)	(68,421,769)	767,174

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2025

	Note	Group	
		2025	2024
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		409,762	298,063
Payments to suppliers and employees		(1,105,339)	(1,175,971)
Interest received		9,531	13,765
Interest paid		(3,038)	(3,832)
NET CASH USED IN OPERATING ACTIVITIES	7(a)	<u>(689,084)</u>	<u>(867,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,878)	-
Payment for investments		(126,837)	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(128,715)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		944,544	757,902
Share issue costs		(121,654)	(95,630)
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>822,890</u>	<u>662,272</u>
Net decrease in cash held		5,091	(205,703)
Cash at beginning of financial year		770,159	974,082
Effect of exchange rate movement		(5,045)	1,780
CASH AT THE END OF THE YEAR	7	<u><u>770,205</u></u>	<u><u>770,159</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

This Annual Report covers the consolidated financial statements and notes of Hydrocarbon Dynamics Limited and its controlled entities ('Group'). Hydrocarbon Dynamics Limited is a listed public company, incorporated and domiciled in Australia. The Group is a for-profit entity for the purpose of preparing the consolidated financial statements.

The Group's registered office is Level 6, 412 Collins Street, Melbourne VIC 3000.

The financial report was approved by the directors on 23 March 2026.

NOTE 2 BASIS OF PREPARATION

Compliance with accounting standards

The Annual Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, and Interpretations, issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

Rounding of amounts

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise indicated.

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and will therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 December 2025, the Group has \$770,205 in cash and cash equivalents and net assets of \$767,174. The Group incurred a loss for the year of \$984,482 and a net cash outflow from operating activities of \$689,084.

The directors have identified that the ability of the Group to continue to adopt the going concern assumption is dependent upon the following matters:

- the ability to successfully raise capital within the next twelve months via equity raising; and
- the ability to generate budgeted cash inflows through sale of the Group's HCD Multi-Flow products to customers.
- The Group's ability to complete all the steps required for the proposed acquisition of the Great Bear Project including re-complying with Chapters 1 and 2 of the ASX Listing Rules and raising a minimum of \$5.5 million.

The directors continue to review new investment opportunities that may include joint ventures, acquisitions and reverse acquisitions in the energy and energy technology sectors. The Group will also continue to consider options to finance its existing chemical business through joint ventures, private equity and other avenues. The Group continually monitors its cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and adjusts its spending with respect to discretionary corporate overhead accordingly.

NOTES TO THE FINANCIAL STATEMENTS

If the above matters are unsuccessful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the consolidated financial statements. No adjustments for such circumstances have been made in the consolidated financial statements.

NOTE 3 MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented unless otherwise stated.

(a) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity. Investments in subsidiaries are accounted for at cost in the separate financial statements of Hydrocarbon Dynamics Limited.

(b) Deferred tax

Deferred tax assets are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. Deferred tax assets are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Hydrocarbon Dynamics Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Consolidated Statement of Financial Position;
- income and expenses are translated at average exchange rates prevailing during the period; and
- all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

On consolidation, exchange differences arising from the translation of any loans considered to be a net investment in foreign entities are recognised in other comprehensive income and accumulated as a separate component of equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences that have been accumulated in equity are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

(d) Revenue and other Income

Sale of goods

Revenue from the sale of goods is recognised when the performance obligation is satisfied. This is the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Revenue is recognised at amounts that reflect the consideration to which the Group is expected to be entitled in exchange for transferring goods to a customer.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected more than 12 months after reporting date.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

(g) Inventories

The cost of inventory includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group's cost generally includes the purchase price and the cost of transferring the inventory to the warehouse. Inventory is purchased from third parties by a related party. Inventories are measured at the lower of cost and net realisable value.

(h) Financial instruments

The Group's other financial assets have been measured at fair value through profit or loss (FVPL).

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group includes in this category financial instruments which are investments in listed entities that are held under a business model to manage them on a fair value basis for investment fair value gains.

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurement of financial instruments

(i) Fair value hierarchy

Fair value determined by reference to actively trading markets is considered a level 1 fair value measurement.

(ii) Fair value of investments at fair value through profit or loss

The group holds financial instruments measured at fair value, which are investments in ASX listed securities.

The fair value measurement for ASX listed securities is considered a level 1 fair value measurement under fair value hierarchy as it is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are included in current liabilities except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(j) Provisions

Short term obligations

Liabilities for salary and wages, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits.

(k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

(l) Changes in accounting policies

Mandatory accounting pronouncements effective from 1 January 2025 have been adopted by the Group and have had no material impact on the financial results.

(m) New accounting standards and interpretations for application in future periods

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Annual Report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years.

NOTES TO THE FINANCIAL STATEMENTS

The critical estimates and judgements applied in the preparation of the Annual Report are as follows:

a) Non-recognition of deferred tax asset

The Group have not recognised a deferred tax asset in respect of items noted in note 6 because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.

NOTE 5 REVENUE AND EXPENDITURE

Loss before income tax includes the following specific revenue and expenses:

	2025	2024
	\$	\$
(a) Revenue from contracts with customers		
<i>Sale of goods recognised at a point in time:</i>		
Australia	236,533	123,333
North America	17,426	33,352
Middle East and Asia	155,803	2,593
	409,762	159,278
(b) Other income		
Interest income	10,006	14,557
	10,006	14,557
(c) Director and employee related costs		
Director fees	(83,835)	(80,470)
Employee expense	-	(101,414)
	(83,835)	(181,884)
(d) Depreciation and amortisation costs		
Depreciation expense – PP&E	(1,516)	(1,537)
	(1,516)	(1,537)
(e) Auditor’s remuneration		
The following fees were paid or payable for services provided by Pitcher Partners, the previous auditor of the Group:		
- Auditing or reviewing the consolidated financial statements	(26,700)	(62,000)
	(26,700)	(62,000)
The following fees were paid or payable for services provided by Nexia Melbourne Audit, the current auditor of the Group:		
- Auditing or reviewing the consolidated financial statements	(26,000)	-
	(26,000)	-
There were no non-audit services provided during the year (2024: Nil).		
(f) Production costs		
Cost of goods sold (arising on sale or consumption)	(339,366)	(140,665)
Inventory impairment	(45,738)	-
	(385,104)	(140,665)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INCOME TAX EXPENSE

	2025 \$	2024 \$
(a) Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Current tax expense	-	-
Deferred tax expense	-	-
Income tax expense	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax on accounting profit or loss		
Loss before income tax	984,482	996,375
Tax benefit at the Australian tax rate of 25% (2024: 25%)	246,121	249,094
Tax effect of amounts which are not deductible/(taxable) in calculating taxable		
Other non-deductible items	(15,908)	(1,724)
Losses not recognised in deferred tax assets	<u>(230,213)</u>	<u>(247,370)</u>
	-	-
The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.		
(c) Reconciliation of deferred tax assets/(liabilities)		
The balance of deferred tax asset comprises:		
Deferred tax assets		
- Tax losses	4,717,716	4,427,862
- Prior year adjustment	(11,880)	-
- S40-880 deductions	41,540	27,282
- Provisions	-	18,939
Net deferred tax asset	<u>4,747,376</u>	4,455,144
Deferred tax asset not recognised	<u>(4,747,376)</u>	<u>(4,455,144)</u>
Deferred tax asset recognised in accounts	-	-
Movements in deferred tax asset		
Opening balance	-	-
Deferred tax (credited) to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>
(d) Franking tax credits		
Franking credits available based on a tax rate of 25%	<u>-</u>	<u>-</u>

The above amounts represent the balance of the franking account as at the end of the year, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (iii) franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 CASH AND CASH EQUIVALENTS

	2025	2024
	\$	\$
Cash at bank	267,544	669,909
Cash on deposit	502,671	100,250
	770,205	770,159

The effective interest rate on short-term bank deposits was 3% (2024: 1.5%).

(a) Reconciliation of cash flow from operations

Loss for the year	(984,482)	(996,375)
<i>Non-cash items:</i>		
Depreciation expense	1,516	1,537
Change in fair value on investments	50,000	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(6,829)	125,379
(Increase)/decrease in inventories	187,627	18,307
(Increase)/decrease in prepayments	6,033	3,437
Increase/(decrease) in trade and other payables	57,051	55,496
Increase/(decrease) in provisions	-	(75,756)
Net cash used in operating activities	(689,084)	(867,975)

NOTE 8 TRADE AND OTHER RECEIVABLES

GST receivable	18,306	11,951
Other receivables	1,266	792
	19,572	12,743

The Group has determined the expected credit loss in relation to trade and other receivables to not be material at balance date.

NOTE 9 INVENTORIES

Stock on hand - finished goods	101,935	243,824
Provision for inventory write-down	(45,738)	-
	56,197	243,824

NOTE 10 OTHER FINANCIAL ASSETS

Investment in ASX listed securities at FVTPL (level 1)	50,000	-
Joint venture investment FVTPL (level 3)	26,837	-
	76,837	-

NOTE 11 TRADE AND OTHER PAYABLES

Trade creditors	121,402	66,566
Accrued expenses	88,969	90,782
	210,371	157,348

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 EQUITY

	2025	2024
	\$	\$
Issued capital	74,089,042	73,114,498
Capital raising costs	(4,118,186)	(4,000,523)
	69,970,856	69,143,975

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

	2025		2024	
	No.	\$	No.	\$
Movement in number of shares:				
Balance at the beginning of the year	927,841,570	69,143,975	769,665,911	68,433,925
<i>Movements during the year:</i>				
Share purchase plan	-	-	38,916,451	175,124
Entitlement offer	-	-	119,259,208	357,778
Entitlement offer (i)	150,267,710	225,803	-	225,000
Entitlement offer (ii)	359,370,318	718,741	-	-
Capital raising costs	-	(117,663)	-	(47,852)
	509,638,028	826,881	158,175,659	710,050
Balance at the end of the year	1,437,479,598	69,970,856	927,841,570	69,143,975

(i) Funds received and share issued for the November 2024 Entitlement Offer at an issue price of 0.3 cents including funds received prior to 31 December 2024 for which shares had not been issued as at 31 December 2024

(ii) Shares issued under an Entitlement Offer in August 2025 at an issue price of 0.2 cents.

	2025	2024
	No.	No.
Unlisted options		
Movement in number of options:		
Balance at the beginning of the year	162,235,004	62,605,411
<i>Movements during the year:</i>		
Share purchase plan (i)	-	40,000,001
Entitlement offer (ii)	85,336,855	59,629,592
Expired	(207,348,858)	-
	(122,235,003)	99,629,593
Balance at the end of the year	40,000,001	162,235,004

(i) One free option was issued for every three shares purchased in the placement on 29 December 2023.

(ii) Options issued under an Entitlement Offer in November 2024 with one free option issued for every two shares purchased.

The Group had the following unlisted options on issue at the end of the year (2024: 162,235,004).

Description	Issue date	Number	Expiry date	Exercise price	Vested %
Unlisted	5 February 2024	40,000,001	5 February 2026	\$0.015	100%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 EQUITY (CONTINUED)

Reserves	2025	2024
	\$	\$
Foreign currency translation reserve	(781,913)	(776,904)
	(781,913)	(776,904)

The currency translation reserve records exchange differences arising on translation of foreign controlled entities.

Capital risk management

When managing capital, management's objective is to ensure the Group continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available to meet its commitments as they fall due. In order to maintain or adjust the capital structure, the Group may seek to issue new shares. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

NOTE 13 SEGMENT INFORMATION

The Chief Operating Decision Makers (CODM) do not receive information which is disaggregated by geographic area, by product or service, or by customer group and therefore only one reportable segment exists at balance date.

The Group's revenue, results and assets for this reportable segment can be determined by reference to the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Financial Position. Revenue is earned predominantly from one product. 96% of the revenue is from two customers in the current year (2024: 98% from two customers).

NOTE 14 FINANCIAL RISK MANAGEMENT

Overview

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, loans to and from subsidiaries, and trade and other payables. The main risks arising from the Group's financial assets and liabilities are interest rate risk, foreign currency risk, credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

The Group regularly analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of new entity or project) and policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the Group in meeting its financial targets, whilst minimizing potential adverse effects on financial performance.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the Group's operations change, the Directors will review this policy.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments which are carried at amortised cost unless otherwise stated:

	2025	2024
	\$	\$
Financial assets		
Cash and cash equivalents	770,205	770,159
Trade and other receivables	19,572	12,743
Listed securities	50,000	-
Joint Venture investment	26,837	-
	866,614	782,902
Financial liabilities		
Trade and other payables	210,371	157,348
	210,371	157,348

Interest rate risk

Exposure to interest rate risk arises on cash and cash equivalents recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

A forward business cash requirement estimate is made, identifying cash requirements for the following period (generally up to one year) and interest rate term deposit information is obtained from a variety of banks over a variety of periods (usually one month up to six month term deposits) accordingly. The funds to invest are then scheduled in an optimised fashion to maximise interest returns.

Interest rate sensitivity

A sensitivity of 1% interest rate has been selected as this is considered reasonable given the current market conditions. A 1% movement in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2024.

	Profit or Loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
2025	\$	\$	\$	\$
Cash and cash equivalents	7,702	(7,702)	7,702	(7,702)
2024				
Cash and cash equivalents	7,701	(7,701)	7,701	(7,701)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient resources to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds from capital raising are maintained for future expenditure on working interest assets. This involves the monitoring of actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table details the remaining contractual maturity for non-derivative financial liabilities.

	<1 year	Total Contractual Cash Flows	Carrying Amount
2025	\$	\$	\$
Trade and other payables	210,371	210,371	210,371
	210,371	210,371	210,371
2024			
Trade and other payables	157,348	157,348	157,348
	157,348	157,348	157,348

Foreign exchange risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchases of goods and services in currencies other than the Group's functional currency. The Group is also exposed to transactional currency movements. Such exposures arise from transactions which are denominated in currencies other than the functional currency of the Group. The Group's exposure to foreign currency risk primarily arises from the Group's operations overseas, namely in the United States.

The Group is also exposed to fluctuations in foreign currencies arising from the loans advanced by the Australian-based parent entity (denominated in AUD) to its United States based subsidiaries. Foreign currency gains/losses are recorded by the subsidiaries and are eliminated on consolidation via the foreign currency translation reserve.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

Based on financial instruments held in a foreign currency at 31 December 2025 and 31 December 2024, had the Australian dollar strengthened/weakened by 10%, there would be an increase/decrease in the US net assets by \$7,552 (2024: \$6,312) and an increase/decrease in the Canadian net assets by \$65 (2024: \$380). The exposure to foreign exchange is considered to be immaterial as the majority of the foreign liabilities relate to related party payables which are eliminated on consolidation.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. The Group exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

Credit risk exposures

Trade and other receivables

Trade and other receivables comprise receivables from the sale of products and services to external customers. All potential customers are rated for credit worthiness, taking into account their size, market position and financial standing. The receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant. At 31 December 2025 the Group's had no receivables that were past due but not impaired (2024: Nil).

Cash and cash equivalents, restricted cash and term deposits

The Group has credit risk with respect to cash deposits held with banks. However, significant cash deposits are invested across three to four banks to mitigate credit risk exposure to a particular bank. AAA rated banks are mostly used and non-AA banks are utilised where commercially attractive returns are available.

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under arrangements entered into by the Group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

Fair value hierarchy

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level as determined by the following fair value measurement hierarchy:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The follow table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis:

2025	Level 1	Level 2	Level 3
Listed Securities	50,000	-	-
Investments in Joint Venture	-	-	26,837
	50,000	-	26,837

Other fair value disclosures

The directors consider that the carrying amount of trade and other receivables and trade and other payables recorded in the consolidated financial statements approximates their fair values due to their short-term nature.

NOTE 15 EARNINGS PER SHARE

	2025	2024
	\$	\$
(a) Reconciliation of earnings to profit and loss:		
Loss attributable to the ordinary equity holders of the Company used in calculating Net loss for the year	(984,482)	(996,375)
(b) Weighted average number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares used in calculating basic earnings	1,176,350,136	818,999,073
Adjustments for the calculation of diluted earnings per share - Options	-	-
Weighted average number of ordinary shares used in calculating dilutive earnings	1,176,350,136	818,999,073

Options are considered to be “potential ordinary shares” and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to options on issue are set out in Note 12.

(c) basic and diluted earnings per share:

Basic loss per share (cents)	(0.08)	(0.12)
Diluted loss per share (cents)	(0.08)	(0.12)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 CONTINGENCIES AND COMMITMENTS

Royalty Agreement

The Group is party to a royalty agreement with Director Mr Nicholas Castellano, whereby the Group is obliged to pay a monthly royalty equal to the greater of:

- (a) US\$20,000; subject to adjustment as described below; or
- (b) 5% of net revenue (gross revenue minus taxes and commissions) from the HCD Multi-Flow product.

Until the amount of US\$19.5 million is paid in full.

The minimum royalty instalment described above was adjusted due to a material change in the business, in which a customer (“the Customer”) elected to stop using HCD Multi-Flow, causing a reduction in ongoing revenue. The parties agreed that the minimum royalty instalment be reduced from USD\$20,000 per month to USD\$16,000 per month, until the Group has entered into a firm contract with either:

- (a) the Customer and/or a related party of the Customer for the sale of at least 140 drums of HCD Multi-Flow per month for a minimum period of 6 months; or
- (b) one or more credible third parties other than the Customer and/or a related party of the Customer for the sale by the Group of at least 35 drums of HCD Multi-Flow per month for a minimum period of 6 months.

The royalty agreement is non-recourse and may be terminated by either party at any time without penalty. Royalty payments to date have been expensed as incurred. If the royalty amount is not paid in full all rights to the intellectual property revert to Mr. Castellano.

There are no commitments as at 31 December 2025 (2024: Nil).

NOTE 17 SUBSEQUENT EVENTS

The Group has entered into a conditional binding agreement with White Cliff Minerals Ltd (ASX: WCN) to acquire the Great Bear Copper-Gold-Silver-Uranium Project, located in the Northwest Territories, Canada.

The Group is proposing to acquire a 100% interest in the Great Bear Project under the Proposed Acquisition. To give effect to the Proposed Acquisition, ASX has advised that the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules. As part of the Proposed Acquisition and the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules, the Company intends to:

- (a) raise a minimum of \$5.5 million by the issue of 275,000,000 fully paid ordinary shares in the capital of HCD (Shares) at an offer price of \$0.02 per Share (on a post-Consolidation basis) pursuant to a public offer (Public Offer) to be made under a full-form prospectus;
- (b) undertake a consolidation of its issued capital on a 1:10 basis (Consolidation);
- (c) change its name to ‘Great Bear Exploration Ltd’ to reflect the new direction and activities of the Company;
- (d) change its ASX code to ASX:GRL to align with the proposed new name; and
- (e) apply to ASX for reinstatement of trading in its Shares on ASX.

The implementation and completion of the Proposed Acquisition, the Public Offer and the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules is subject to the Company obtaining certain shareholder approvals in general meeting.

In the opinion of the directors, there are no events that have arisen in the interval between the end of the financial year and the date of this report that has significantly affected, or may significantly affect the Group’s operations, results or the state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 RELATED PARTY DISCLOSURE

Related party transactions

During the year, the Group paid the following amounts to related party entities:

- No director fees were paid to Spring Street Holdings Pty Ltd (2024: \$31,500), a company associated with Ray Shorrocks.
- \$30,000 (2024: \$45,755) of director fees, \$301,256 (2024: \$291,608) of royalties and \$164,128 (2024: \$93,856) for inventory purchases from NC2 LLC, a company associated with Nicholas Castellano.
- \$75,600 (2024: \$106,800) was invoiced from Lowell Accounting Services for accounting and rent, an entity of which Julie Edwards is a director. \$6,300 (2024: \$37,800) remains payable at balance date.
- \$19,200 (2024: \$19,200) was invoiced from Lowell Accounting Services for secretarial services, an entity of which Julie Edwards is a director. \$1,600 (2024: \$1,600) remains payable at balance date.
- \$4,000 (2024: nil) for consulting fees was paid to Malangi Pty Ltd (2024: nil), a company associated with Stephen Mitchell.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel

Key management personnel includes:

Stephen Mitchell	Non-Executive Chairman
Nicholas Castellano	Executive Director
Ray Shorrocks	Non-Executive Director
Julie Edwards	Company Secretary (paid via external accounting firm, Lowell Accounting Services Pty Ltd)

	2025	2024
	\$	\$
Short-term benefits	108,700	187,763
	104,700	187,763

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 PARENT ENTITY DISCLOSURE

The legal parent entity is Hydrocarbon Dynamics Limited. Details of the controlled entities are set out in Note 20.

Transactions between Hydrocarbon Dynamics Limited and its subsidiaries during the year included:

- loans advanced to/repayments from subsidiaries; and
- investments in subsidiaries.

The loans and investments have been impaired in the accounts of the parent entity so that the net assets of the parent do not exceed the net assets of the Group. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

	2025	2024
	\$	\$
ASSETS		
Current assets	824,645	487,078
Non-current assets	143,839	574,470
TOTAL ASSETS	968,484	1,061,548
LIABILITIES		
Current liabilities	201,310	131,764
Non-current liabilities	-	-
TOTAL LIABILITIES	201,310	131,764
NET ASSETS	767,174	929,784
EQUITY		
Issued capital	69,970,856	69,143,975
Accumulated losses	(69,203,682)	(68,214,191)
TOTAL EQUITY	767,174	929,784
COMPREHENSIVE LOSS FOR THE YEAR		
Loss for the year	(989,491)	(994,595)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(989,491)	(994,595)

The parent entity did not have any contingent liabilities, contractual commitments or guarantees at 31 December 2025 (2024: nil). The parent entity's accounting policies are the same as the Group.

NOTE 20 GROUP STRUCTURE

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3(a).

Name of entity	Country of incorporation	Class of shares	Equity holding % ¹	
			2025	2024
Hydrocarbon Dynamics Australia Pty Ltd	Australia	Ordinary	100	100
HCD Canada Ltd	Canada	Ordinary	100	100
HCDI Holdings Ltd	Hong Kong	Ordinary	100	100
Hydrocarbon Dynamics Ltd	Hong Kong	Ordinary	-	100
Hydrocarbon Dynamics UK Ltd	United Kingdom	Ordinary	100	100
HCD Blending LLC	United States of America	Ordinary	100	100
Indago Oil and Gas Inc	United States of America	Ordinary	100	100
TOC LLC dba Triopco LLC	United States of America	Ordinary	100	100
Hydrocarbon Dynamics LLC	United States of America	Ordinary	100	100

1. percentage of voting power is in proportion to ownership interest.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Hydrocarbon Dynamics Limited is required by Australian Accounting Standards to prepare consolidated financial statements in relation to the Company and its controlled entities (the consolidated entity). In accordance with subsection 295(3A) of the *Corporations Act 2001*, this consolidated entity disclosure statement provides information about each entity that was part of the consolidated entity at the end of the financial year.

Name of entity	Type of entity	Country of incorporation	% Share capital held	Australian tax resident or foreign resident	Foreign jurisdiction of foreign residents
Hydrocarbon Dynamics Limited*	Body corporate	Australia**	N/A	Australian	N/A
Hydrocarbon Dynamics Australia Pty Ltd	Body corporate	Australia**	100	Australian	N/A
HCD Canada Ltd	Body corporate	Canada	100	Foreign	Canada
HCDI Holdings Ltd	Body corporate	Hong Kong	100	Foreign	Hong Kong
Hydrocarbon Dynamics UK Ltd	Body corporate	UK	100	Foreign	UK
HCD Blending LLC	Body corporate	USA	100	Foreign	USA
Indago Oil and Gas Inc	Body corporate	USA	100	Foreign	USA
TOC LLC dba Triopco LLC	Body corporate	USA	100	Foreign	USA
Hydrocarbon Dynamics LLC	Body corporate	USA	100	Foreign	USA

*Parent entity of the Group.

**Hydrocarbon Dynamics Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

At the end of the financial year no entity within the consolidated entity was a trustee of a trust within the consolidated entity or a partner in partnership within the consolidated entity. Hydrocarbon Dynamics Limited formed an unincorporated 50:50 joint venture with Arrow Exploration.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the attached consolidated financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - b. giving a true and fair view of the financial position as at 31 December 2025 and of the performance for the year ended on that date of the Group.
2. As stated in Note 2, the consolidated financial statements also comply with International Financial Reporting Standards.
3. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
4. The information disclosed in the consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations by the Managing Director and Financial Controller required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



Ray Shorrocks
Chairman
Melbourne, Victoria
23 March 2026

Independent Auditor's Report to the Members of Hydrocarbon Dynamics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hydrocarbon Dynamics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2025 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$984,482 and a net cash outflow from operating activities of \$689,084 during the year ended 31 December 2025. As at that date, the Group had accumulated losses of \$68,421,769. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Advisory. Tax. Audit.

Registered Audit Company 291969

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Liability limited by a scheme approved under Professional Standards Legislation.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2025 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial (other than the consolidated entity disclosure statement) report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the Directors' Report for the year ended 31 December 2025.

In our opinion, the Remuneration Report of Hydrocarbon Dynamics Limited for the year ended 31 December 2025 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Richard Cen
Director**

Dated on this 23rd day of March 2026

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 10 March 2026.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid Ordinary Shares

Name	Number	%
STIRLING MCGREGOR SUPER PTY LTD	210,471,317	14.64
MALANGI PTY LTD / STEPHEN MITCHELL	164,581,702	11.45
MR GEOFF BARNES / PELOTON CAPITAL PTY LTD	131,979,150	9.18
BNP PARIBUS NOMINEES PTY LTD	106,689,241	7.42
SPRING STREET HOLDINGS PTY LTD / RAY SHORROCKS	86,342,050	6.0

2. Number of security holders and securities on issue

Hydrocarbon Dynamics Limited has issued the following equity securities:

1,437,479,598 fully paid ordinary shares held by 1,544 shareholders;

3. Voting rights

Ordinary shares

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

4. Distribution of security holders

Quoted securities

Fully paid ordinary shares

Category	Fully paid ordinary shares		
	Holders	Shares	%
1 - 1,000	383	182,705	0.01%
1,001 - 5,000	278	726,864	0.05%
5,001 - 10,000	87	642,356	0.04%
10,001 - 100,000	411	16,276,631	1.13%
100,001 and over	385	1,419,651,042	98.76%
Total	1,544	1,437,479,598	100.00%

5. Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of securities is 1,220 with a combined total of 25,795,184 securities.

6. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

	Name	No. of shares	%
1	STIRLING MCGREGOR SUPER PTY LTD <STIRLING MCGREGOR SUPER A/C>	210,471,317	14.64%
2	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	106,689,241	7.42%
3	MALANGI PTY LTD	95,581,701	6.65%
4	SPRING STREET HOLDINGS PTY LTD	86,282,050	6.00%
5	MR S P MITCHELL & MRS S C MITCHELL <SP MITCHELL SUPER FUND A/C>	69,000,001	4.80%
6	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	68,380,980	4.76%
7	MR GEOFF BARNES	57,979,140	4.03%
8	G & J SUPER FUND PTY LTD <G & J SUPER FUND A/C>	49,500,000	3.44%
9	CHAG PTY LTD	32,766,668	2.28%
10	KCC INVESTMENTS PTY LTD <THE SEYMOUR FAMILY A/C>	30,710,527	2.14%
11	YAVERN CREEK HOLDINGS PTY LTD	26,725,927	1.86%
12	MR CRAIG MACBRIDE	24,829,630	1.73%
13	PELTON CAPITAL PTY LTD	24,500,000	1.70%
14	CITICORP NOMINEES PTY LIMITED	20,667,719	1.44%
15	BUDWORTH CAPITAL PTY LTD <ROLLING HILLS CAPITAL A/C>	19,753,086	1.37%
16	MS TONIA BARNES	18,000,000	1.25%
17	AS & JR LIBBIS PTY LIMITED <LIBBIS FAMILY A/C>	14,210,000	0.99%
18	MRS KYM LOUISE COLLINS	14,000,000	0.97%
19	MR DAVID ANDREW COLLINS	14,000,000	0.97%
19	MR J F BENJAMIN & MISS H A BENJAMIN <JOHN BENJAMIN SUPER A/C>	13,000,000	0.90%
20	HAROLD CRIPPS HOLDINGS PTY LTD	12,948,094	0.90%
	Total	1,009,996,081	70.26%

CORPORATE DIRECTORY

Registered and Principal Office

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Melbourne VIC 3000

Phone: +61 3 9642 2899

Fax: +61 3 9642 5177

Website: www.hydrocarbodynamics.com

Share Registry

Automic

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SYDNEY NSW 2000

Phone: 1300 288 664

Fax: +61 2 9698 5414

Auditors

Nexia Melbourne Audit Pty Ltd
Level 16
600 Bourke Street
Melbourne Vic 3000 4000

Stock Exchange

Australian Securities Exchange Limited (ASX)

Code: HCD

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354