

27 March 2020

Strategic Review & Cost Control Measures

Hydrocarbon Dynamics Limited (“HCD”) announces that, after a detailed strategic review by the new CEO of its chemical division, and subsequent board approval, HCD will move entirely to a sales model based on the appointment of agents and distributors rather than salaried sales staff.

This move coincides with the board’s decision to reduce fixed costs by approximately \$1million/year via a variety of measures. These measures include directors Stephen Mitchell, Ray Shorrocks and Allan Ritchie agreeing to forgo all director and consulting fees until further notice, and executive director Nick Castellano accepting a reduced salary from US\$180,000 to US\$120,000. Reflecting his more recent appointment to the board, non-executive director Andrew Seaton has agreed to forgo cash fees in favour of share based payments (subject to shareholder approval).

The appointment of Bill Tarantino as CEO of HCD’s chemical division has allowed Mr. Mitchell to move to the position of non-executive Chairman from April 1, 2020.

HCD’s Board of Directors approved a new Strategic Plan for its Chemical Division. The Strategic Plan provides a framework for how Hydrocarbon Dynamics will be structured, and its method of doing business to create, deliver and capture sustainable shareholder value. It followed a thorough review of HCD’s business and markets that identified key strategic imperatives needed to transform the Company, including:

- market-focused business approach to drive strategic and tactical decisions necessary to meet growth forecast
- redesigned business model that takes advantage of our market-focused approach to facilitate the strategy as it defines where and how we compete
- investment to enhance marketing efforts with a focus on delivering the tools needed to drive market penetration with consistent and clear messaging

Other cost cutting measures have been applied to accounting and corporate secretarial services, rent in Australia and at the HCD blending facility in Phoenix, and the planned replacement of north American sales staff with new distributors and agents, which is currently being actioned by Bill Tarantino.

The new strategy being adopted reduces fixed costs and is expected to extend the sales reach for the Company’s products. HCD has seen a significant impact on its oil producing clients as a result of very low oil prices and the harsh market conditions triggered by the COVID-19 pandemic. HCD has recently been informed that several forthcoming trials including those in Canada and the Gulf of Mexico, have been delayed for an unspecified time period, but one that is expected to be months not weeks.

Hydrocarbon Dynamics Limited

HCD's Chairman, Stephen Mitchell, stated "It is important to note that these cost cutting measures have not been applied to HCD's marketing and technical support budget. This will allow the implementation of HCD's new strategy of a more aggressive and professional marketing campaign to proceed under a reduced corporate cost structure that is appropriate for the current difficult market and economic climate".

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