

24 July 2024

June 2024 Quarterly Activities Report

Summary

- Repeat order of \$123,000 from Cooper Basin producer
- North Sea application commences
- Upgraded Cefas approval obtained
- Several trials for HCD technologies continue
- Assessment of new investment opportunities expanded beyond upstream energy and energy technology projects to include other sectors where shareholder value may be created

Update on Ongoing Treatments Using HCD Products

Australia – Cooper basin

On 19 June 2024 HCD announced that it has received a repeat purchase order for approximately A\$123,000 of HCD Multi-Flow for an Australian customer's 2024 seasonal paraffin control treatment that takes place during the winter months. This order was filled through existing inventory in Australia.

The HCD Multi-Flow paraffin control programme in the Cooper Basin performed well through the 2023 winter season. HCD provided its Cooper Basin customer with HCD's new Australian distributor, who will manage the programme and provide full service of the treatment application. HCD's distributor notified of a likely increase in the number of wells treated from 20 to 40 wells in the 2024 winter season.

Alberta, Canada Ongoing Business

Ongoing business in Alberta, Canada through HCD's distributor continues. 21 wells are being treated with HCD Multi-Flow, though no recent update has been provided to HCD.

The distributor still intends to expand its use of HCD Multi-Flow for paraffin control in Alberta as well as evaluate it for heavy oil viscosity and diluent reduction opportunities, though progress remains slow.

Gulf of Mexico

The HCD Multi-Flow treatment on a Gulf of Mexico offshore subsea pipeline, which has proven very successful at removing and inhibiting organic deposition, is on hold while annual line maintenance on the transfer loop is carried out. This maintenance is to be completed by end of August.

Update on Ongoing Trials Using HCD Products

North Sea Application Commenced

After a series of long delays the application of HCD Multi-Flow on a North Sea platform for a large national oil company has commenced.

The platform being treated suffers from severe paraffin deposition issues resulting in substantial lost production. If this application proves successful, a second platform with comparable issues could follow. The previously announced purchase order was for approximately A\$80,000 of HCD Multi-Flow product.

Dubai

As stated in the 6 November 2023 release HCD received a purchase order from its new Dubai based distributor for approximately A\$130,000 for HCD Multi-Flow. The trial is currently underway and the distributor expects that results should be evident by mid-August.

The objective of the application is to clean a pipeline containing organic deposits in preparation for running a smart pig.

USA

HCD previously reported three small trials with potential new US customers. The first with a supermajor integrated oil and gas company for a one-well paraffin control trial in the Delaware Basin of New Mexico. The second one-well, paraffin control trial (2 drums HCD Multi-Flow) by HCD's new Oklahoma based distributor is for an independent oil & gas producer in Bakersfield, California. The third trial is with HCD's new North Dakota based distributor.

No updates have been received since HCD's March Quarterly Activities Report.

South Sudan

As previously reported, a trial commenced in South Sudan in early March 2024 however no results have been communicated to HCD.

The trial follows the payment of A\$185,000 for HCD's new product, Bit-Flow D75, from a large operator in South Sudan that is majority owned by Malaysia's state-owned energy company, Petronas.

Laboratory Testing Update

During the Quarter HCD announced that it had received a Silver approval from Centre for Environment Fisheries and Aquaculture Science (Cefas), replacing the six-month approval received in August 2023. This has allowed the North Sea test mentioned above to commence.

No other laboratory test results have been obtained during the Quarter.

Exploration & Corporate Activities

During the Quarter HCD continued to assess exploration opportunities in the energy, resources and technology sectors including energy transition technologies. HCD will also continue to consider options to finance its existing chemical business through joint ventures, private equity and other avenues.

Finance

At the end of the Quarter HCD had \$569,493 in cash reserves and no debt, plus \$150,000 in receivables (\$147,000 received in July 2024).

Related party transactions during the Quarter were for \$73,806 in royalty payments.

HCD renewed its 15% and 10% placement capacity at its AGM in May 2024.

This release has been approved by the Board of Directors.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Hydrocarbon Dynamics Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	148	148
1.2 Payments for		
(a) exploration & evaluation (reallocated to corporate costs)	-	-
(b) development	-	-
(c) production	(19)	(55)
(d) staff costs	(84)	(289)
(e) administration and corporate costs	(64)	(173)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	7
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (royalties)	(74)	(147)
1.9 Net cash from / (used in) operating activities	(91)	(511)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	175
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(70)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	105

4.	Net increase / (decrease) in cash and cash equivalents for the period	(91)	(406)
4.1	Cash and cash equivalents at beginning of period	660	974
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(91)	(511)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	105

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	569	660

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	264	974
5.2	Call deposits	305	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	569	974

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(74)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(91)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(91)
8.4 Cash and cash equivalents at quarter end (item 4.6)	569
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	569
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.25
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 24 July 2024

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.