

2 March 2020

## **Utah Project Farm-Out & Upstream Update**

Hydrocarbon Dynamics Limited (“HCD”) announces that it has signed two Memoranda of Understanding (“MOU”) with Valkor Technologies LLC (“Valkor”) whereby Valkor can earn an interest in HCD’s Utah project by funding the next two phases of exploration, appraisal and development.

In the first MOU Valkor will initially fund the drilling and production testing of three vertical wells or one vertical well and one horizontal well, utilising HCD Multi-Flow as part of the trial. Should Valkor complete this within 12 months, they will have the right earn up to a 65% interest by funding a continuous drilling programme of an additional 2 vertical wells or one horizontal well per quarter. The MOU relates to the deeper oil sands within HCD’s leases.

In the second MOU Valkor can earn up to an 87.5% interest in the shallow (“mineable”) oil sands in HCD’s Utah leases by initially completing a preliminary study to determine the feasibility to mine the oil sands within the leases. Valkor will also spend a minimum of US\$250,000 assessing the applicability of HCD Multi-Flow in the mining process. To earn its interest Valkor will then need to engineer, install and operate the oil sands mining and processing facilities.

The MOU’s are not binding and both HCD and Valkor will now proceed to finalise binding agreements.

Valkor is an energy services company based in the USA that provides engineering, design, fabrication, transportation and installation for energy projects worldwide. They also own and operate oil fields and are currently discussing possible trials using HCD Multi-Flow in those with viscosity challenges.

HCD will also seek a partner for its Kentucky project and in the meantime the board thinks it prudent to fully expense the asset, with a carrying value of US\$0.4m, in its accounts.

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