

**Hazer Group Limited**  
**Appendix 4E**  
**Final report**

**1. Company details**

Name of entity: Hazer Group Limited  
 ABN: 40 144 044 600  
 Reporting period: For the year ended 30 June 2016  
 Previous period: For the year ended 30 June 2015

**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	1,160% to	83,552
Loss from ordinary activities after tax attributable to the owners of Hazer Group Limited	up	253% to	1,844,358
Loss for the year attributable to the owners of Hazer Group Limited	up	253% to	1,844,358

*Dividends*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2015	0.0	0.0
Interim dividend for the year ended 30 June 2016	0.0	0.0

No dividend has been declared.

*Comments*

The loss for the company amounted to \$1,844,358 (30 June 2015: \$522,493).

On 30 November 2015, the Company was admitted to the official list of the Australian Securities Exchange ('ASX') after successfully raising \$5,000,000 before expenses from the issue of 25,000,000 fully paid ordinary shares at \$0.20 per share ('initial public offering'). Official quotation of the Company's securities commenced on 2 December 2015.

Losses after income tax increased by 253% on the prior year as the Company increased research and development activities to commercialise the Hazer Process. Research and development paths undertaken included process scale-up work, graphite product development / functionalisation and graphite commercialisation work.

The Company's cash and cash equivalents were \$4,677,919 at 30 June 2016 (30 June 2015: \$562,927) and net assets at 30 June 2016 were \$4,420,770 (30 June 2015: \$545,091)

The operating cash outflow for the year increased by 516% to \$1,455,137 (30 June 2015: \$236,381) largely as a result of increased research and development activities. Financing cash inflows increased by 660% to \$5,570,129 (30 June 2015: \$733,113) as a result of the initial public offering, a placement of 3,195,000 ordinary shares at \$0.28 per share on 18 March 2016 which raised \$894,600 before costs and a pro-rata Entitlement Option Issue pursuant to a Prospectus lodged on 21 March 2016 which raised \$150,453 before costs.

The Company confirms in the period from admission to the official list of the ASX to 30 June 2016, that it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

As an early stage company, the Company's business model is highly dependent on the achievement of continued technical development success as well as future funding, customer engagement and general financial and economic factors.

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>6.85</u>	<u>1.51</u>

**4. Control gained over entities**

Not applicable

**5. Loss of control over entities**

Not applicable.

**6. Details of associates and joint venture entities**

Not applicable

**7. Audit qualification or review**

The financial statements have been audited and an unqualified opinion has been issued.

**8. Attachments**

The Annual Report of Hazer Group Limited for the year ended 30 June 2016 is attached.

**9. Signed**



Signed \_\_\_\_\_

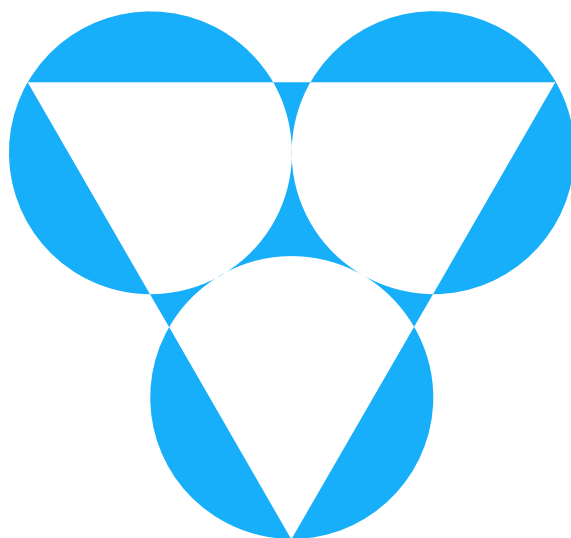
Geoff Pocock  
Director

Date: 31 August 2016

**Hazer Group Limited**

**ABN 40 144 044 600**

**Annual Report – 30 June 2016**



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# CORPORATE DIRECTORY



Directors	Geoff Pocock (Managing Director) Rick Hopkins (Non-Executive Chairman) Bryant McLarty (Non-Executive Director) Danielle Lee (Non-Executive Director) Andrew Harris (Non-Executive Director)
Company secretary	Emma Waldon
Registered office	7/29 The Avenue Nedlands Western Australia 6009  Phone: 08 9389 7050
Principal place of business	7/29 The Avenue Nedlands Western Australia 6009  Phone: 08 9389 7050
Share register	Link Market Services Limited Central Park Level 4, 152 St Georges Terrace Perth WA 6000  Phone: 1300 554 474
Auditor	RSM Australia Partners 8 St Georges Terrace Perth Western Australia 6000
Solicitors	Fairweather Corporate Lawyers 595 Stirling Highway Cottesloe WA 6011
Bankers	Commonwealth Bank of Australia 150 St Georges Terrace Perth WA 6000
Stock exchange listing	Hazer Group Limited shares are listed on the Australian Securities Exchange (ASX code: HZR)
Website	<a href="http://www.hazergroup.com.au">www.hazergroup.com.au</a>
Corporate Governance Statement	<a href="http://www.hazergroup.com.au/about/corporate-governance">http://www.hazergroup.com.au/about/corporate-governance</a>

# CHAIRMAN'S LETTER



Dear Shareholder

On behalf of the Board I am pleased to present the 2016 Annual Report to shareholders.

During the past year the Company successfully completed fund raisings totalling \$6m (before costs) and listed on the Australian Securities Exchange.

Funds raised have, and will, predominantly be used to further develop the Hazer Process, the Company's core technology. The Hazer Process allows the production of hydrogen and graphite from methane in a low CO2 emission process. Distinguishing features of the Hazer Process from existing commercial hydrogen production technologies include the co-production of high purity graphite, thus reducing the CO2 emissions associated with traditional hydrogen production and also providing economic benefits to reduce the overall production costs, and the use of low cost iron ore fines as a catalyst for the process.

Initial scale up of an original research-scale reactor has been demonstrated and the Company's strategy is to further scale-up and commercialise the Hazer Process so as to be able to supply hydrogen gas and high purity graphite to the significant global hydrogen and graphite markets.

The Company is supported by an experienced Board of Directors and management team led by Geoff Pocock as managing director and Dr Andrew Cornejo as Chief Technical Officer. Geoff Pocock is an experienced strategy consultant and commercialisation professional with more than 20 years experience across the commercialisation process. Andrew Cornejo is the lead inventor of the Hazer Process and is a mechanical engineer with experience in design, project management and commissioning. Andrew.

The Company reached an important agreement during the year with the University of Sydney which provides access to the world class facilities of the University's Laboratory of Sustainable Technologies ("LST"). The LST has particular expertise in graphite and nano-materials technology as well as chemical engineering scale up expertise and experience in the "hydrogen economy". Dr Andrew Cornejo relocated to Sydney to actively manage and direct all activities undertaken with Sydney University. This research collaboration has given the Company access to facilities and further expertise that has allowed the Company to bring forward the commercialisation timeline of the Hazer Process.

We were also pleased to secure a number of key additional appointments. Dr Andrew Harris, lead Director of Laing O'Rourke Engineering Excellence Group, was appointed as a Non-Executive Director and Dr Andrew Minett was appointed Chairman of the newly created Science Advisory Committee. Both individuals have significant expertise in process development, hydrogen production and new energy technologies. In addition, Terry Walsh, a commercial lawyer with 20 years project development experience, commenced with the Company as its Business Development Executive.

I look forward to your continued support as a shareholder as the Company continues its commercialisation activities.

Yours faithfully

Mr Rick Hopkins  
Non-Executive Chairman  
Hazer Group Limited

# MANAGING DIRECTOR'S REPORT



## ABOUT HAZER GROUP

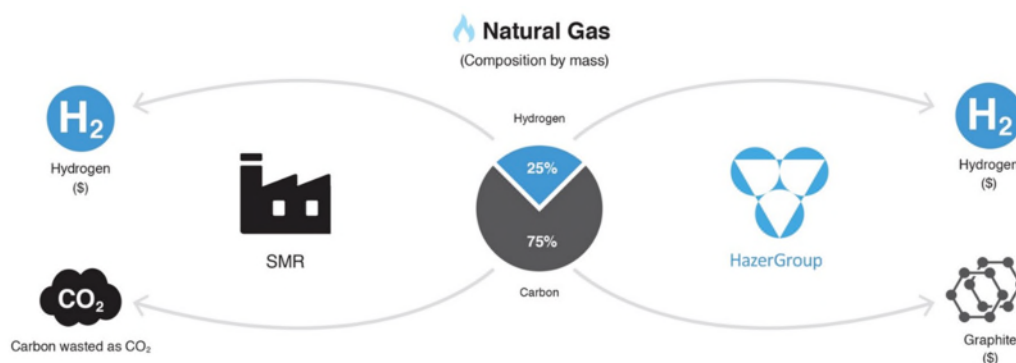
Hazer Group Limited ("Hazer" or the "Company") is the commercialisation entity for the Hazer Process – a novel potential low cost, low emission hydrogen and graphite production technology, originally developed at the University of Western Australia.

Initial scale up of an original research-scale reactor has been demonstrated and the Company's strategy is to further scale-up and commercialise the Hazer Process so as to supply hydrogen gas and high purity bulk graphite to the significant hydrogen and graphite markets.

In December 2015, the Company completed a heavily oversubscribed \$5m initial public offering capital raising and listed on ASX (ASX:HZR and HZRO). Funds will provide up to 2 years of ongoing development activities.

## THE HAZER PROCESS

The Hazer Process allows the production of hydrogen from methane together with the production of high purity graphite through a process known as Thermo Catalytic Methane Decomposition (or "methane cracking").



The overriding distinguishing feature of the Hazer Process from existing commercial hydrogen production technologies is the co-production of high purity graphite, the production of this synthetic graphite product addresses both economic and environmental aspects of existing hydrogen production processes. By co-producing synthetic graphite in addition to hydrogen, the overall costs of the hydrogen production process can be reduced, providing lower cost hydrogen. Furthermore, the overall CO<sub>2</sub> emissions associated with hydrogen production are minimised, potentially enabling hydrogen to be more effectively used in energy markets including vehicle fuel and stationary power generation.

Hazer uses low cost iron ore as a catalyst for the Hazer Process; the use of this low cost catalyst is a key driver of the beneficial economics of the Hazer Process.

## HAZER'S COST ADVANTAGE

The use of low cost feedstocks, a low cost catalyst and the co-production of both hydrogen and a high grade synthetic graphite product, gives Hazer the potential to become highly cost competitive across a number of industries - the industrial hydrogen market, the global graphite market and the "clean hydrogen" demand required for the growing hydrogen economy.

# MANAGING DIRECTOR'S REPORT



## OPERATIONS

In February 2016, the Company reached an agreement with the University of Sydney to undertake its core development and commercialisation activities at their world class Laboratory of Sustainable Technologies, part of the University's School of Chemical and Biomolecular Engineering.

Since moving into these premises, the Company has constructed and commissioned a Static Bed Reactor, enabling Hazer to assess the effect of different iron ore types and sizes on the hydrogen and graphite product quality. In addition to this reactor, construction and commissioning of a Fluidised Bed Reactor has allowed for the further scale-up of Hazer's process. This new reactor is capable of generating up to one kilogram of graphite per day, over 3,000 times the amounts previously produced.

## HAZER GRAPHITE PURITY

In August 2016, the Company announced results from initial tests undertaken to demonstrate the purity and characteristics of Hazer's graphite against that of industry grade graphite, including commercial battery grade graphite.

This characterisation and testing process is an important step before embarking on a graphite development program, as it provides the Company with critical benchmark data needed to further optimise the reaction conditions that will improve the yield and quality of the graphite.

Hazer produced graphite at 99% tgc (total graphite content), through initial methane decomposition and a single stage chemical purification. Importantly, the chemical purification was undertaken without the use of hydrofluoric acid (HF). Prior to chemical purification, the graphite product harvested directly from the Hazer reactor under non-optimised conditions has tgc purity of 86%.

The general characteristics of Hazer graphite produced under non-optimised conditions show excellent comparison to high-end commercial forms of graphite, including primary synthetic graphite and synthetic spherical graphite SG, used for upper end lithium-ion batteries, and little resemblance to lower value amorphous carbon AC (Carbon Black).

The Company is extremely pleased with these initial results using large-scale laboratory reactors and believe they will provide a strong platform for further growth, through both optimisation of the core reaction conditions and further application testing of Hazer's graphite for batteries and other key graphite markets.

It is promising that even under non-optimized conditions the characteristics of the graphite produced by the Hazer Process correlates well with commercially available premium graphite. These initial results show that Hazer's graphite is highly crystalline with few defects, key requirements for high-end graphite markets such as battery applications.

## SCALE-UP DEVELOPMENT UNDERWAY

The Company has now set in place a development and testing roadmap that focuses on the lithium-ion battery vertical for its graphite product, as well as potential applications in other graphite markets. With additional characterisation testing currently underway, as well as further optimisation of reactor conditions, Hazer hopes to enhance the yield and quality of the graphite produced.

We look forward to updating the market with new results produced under optimised conditions and plan to send this graphite for independent testing at a globally recognised testing facility. Hazer also plans to develop and test small-scale lithium-ion batteries within its laboratory using synthetic graphite produced from the Hazer Process.

Work also continues towards the design and construction of a pilot plant that will be capable of producing hundreds of kilograms of combined hydrogen and graphite products per day, to be undertaken in 2017. In March 2016, Hazer signed an agreement with chemical engineering group Kemplant, who are assisting Hazer with its current scale up development and the design of this initial pilot plant to showcase the Hazer technology.

Mr Geoff Pocock  
Managing Director

# DIRECTORS' REPORT



The directors present their report, together with the financial statements, on the company (referred to hereafter as the 'company') consisting of Hazer Group Limited (referred to hereafter as the 'company' or 'parent entity') for the year ended 30 June 2016.

## Directors

The following persons were directors of Hazer Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Geoff Pocock  
Rick Hopkins  
Bryant McLarty  
Danielle Lee (appointed on 16 September 2015)  
Andrew Harris (appointed 21 June 2016)

## Principal activities

During the financial year the principal continuing activities of the company consisted of research and development of novel graphite and hydrogen production technology.

The Company has intellectual property rights to a technology which allows the production of hydrogen gas from methane (natural gas) with negligible carbon dioxide emissions and the co-production of a high purity graphite product (the 'Hazer Process').

Costs associated with the research and development of novel graphite and hydrogen production technology have not at the reporting date met the criteria for recognition as an intangible asset. As a result, the company has recognised these costs as an expense when incurred. The company will re-assess the treatment of these costs during future periods as the company continues to progress with the development of its technology.

## Dividends

There were no dividends paid during the year.

## Review of operations

The loss for the company amounted to \$1,844,358 (30 June 2015: \$522,493).

On 30 November 2015, the Company was admitted to the official list of the Australian Securities Exchange ('ASX') after successfully raising \$5,000,000 before expenses from the issue of 25,000,000 fully paid ordinary shares at \$0.20 per share ('initial public offering'). Official quotation of the Company's securities commenced on 2 December 2015.

Losses after income tax increased by 253% on the prior year as the Company increased research and development activities to commercialise the Hazer Process. Research and development paths undertaken included process scale-up work, graphite product development / functionalisation and graphite commercialisation work.

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As an early stage company, the Company's business model is highly dependent on the achievement of continued technical development success as well as future funding, customer engagement and general financial and economic factors.

## **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the company during the financial year.

## **Matters subsequent to the end of the financial year**

On 22 July 2016, the following options were issued to the Chairman of the Science Advisory Committee (i) 575,000 options exercisable at \$0.55 each and expiring 30 June 2019 which vest 6 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date and (ii) 575,000 options exercisable at \$0.75 each and expiring 30 June 2020 which vest 18 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date.

On 1 July 2016, the same options as noted above were resolved to be issued to Andrew Harris as a Director of the Company and are subject to shareholder approval at the next annual general meeting. The details of the options resolved to be issued whilst still subject to shareholder approval at the next annual general meeting are as follows (i) 575,000 options exercisable at \$0.55 each and expiring 30 June 2019 which vest 6 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date and (ii) 575,000 options exercisable at \$0.75 each and expiring 30 June 2020 which vest 18 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date.

On 29 July 2016, 33,632 ordinary shares were issued on the exercise of 33,632 listed options (ASX code: HZRO) at an exercise price of \$0.30 each generating share issue proceeds of \$10,090.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

## **Likely developments and expected results of operations**

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

## **Environmental regulation**

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

# DIRECTORS' REPORT



## Information on directors

**Name:** Geoff Pocock  
**Title:** Managing Director  
**Qualifications:** Bachelor of Science (first class honours) from University of Western Australia; Bachelor of Laws (University of Western Australia) and Post Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia.  
**Experience and expertise:** Geoff Pocock is an experienced strategy consultant and commercialisation professional, with over 20 years' experience across the commercialisation process. Geoff's experience has covered technical roles, executive management as well as significant corporate finance and strategy roles with a number of technology commercialisation ventures.  
Geoff is the Principal of Polaris Consulting (WA) Pty Ltd, a specialist boutique commercialisation strategy and corporate advisory business based in Western Australia. Prior to founding Hazer, he was a founder and Managing Director of Dynamic Microbials Limited, an unlisted public drug discovery company working on the identification and development of novel antibiotics for specialist human health application. Geoff was an Executive Director/Managing Director of Dynamic from the Company's inception until the Company was acquired by its parent Phylogica Ltd in an all-scrip merger in 2008.  
Geoff has extensive strategy consulting and corporate advisory experience, through a number of boutique Western Australian corporate/advisory firms, and he was a Founder and executive of a mid-tier strategy consulting firm, overseeing the growth of the firm from its formation and initial operations to it becoming the largest strategy consulting firm in Western Australia with over 20 professional staff, with a concomitant increase in revenue and profitability.  
**Length of service:** Director since 6 August 2010  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chief Executive Officer  
**Interests in shares:** 4,200,000  
**Interest in options:** 1,050,000 (Listed options) and 7,000,000 (Unlisted options)  
**Contractual rights to shares:** None

**Name:** Rick Hopkins  
**Title:** Non-Executive Chairman  
**Qualifications:** Bachelor of Commerce from the University of Western Australia, a Postgraduate Diploma in Business from Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. Rick is a fellow of Chartered Accountants Australia and New Zealand and a fellow of Financial Services Institute of Australia.  
**Experience and expertise:** Rick Hopkins is a Chartered Accountant with over 30 years of experience advising on corporate, taxation and accounting matters. Rick is currently a partner at PKF Lawler, having previously been a Director at Barringtons Chartered Accountants. He has vast experience advising on project management, corporate and taxation matters for a wide range of corporate clients. His particular expertise extends to corporate and structuring advice, capital raising, tax, and cash flow planning. He has worked on various committees of The Tax Institute and Chartered Accountants Australia and New Zealand.  
**Length of service:** Director since 6 August 2010  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit and Risk Committee and the Remuneration and Nomination Committee  
**Interests in shares:** 800,010  
**Interests in options:** 200,003 (Listed options) and 1,300,000 (Unlisted options)  
**Contractual rights to shares:** None

# DIRECTORS' REPORT



Name:	Bryant McLarty
Title:	Non-Executive Director
Qualifications:	Nil
Experience and expertise:	<p>Bryant is the Executive Chairman of Mac Equity Partners, a boutique Western Australian stockbroking and corporate advisory business operating since 2009. Clients include ASX listed, public and private companies, wholesale high net worth investors and overseas funds who are provided with a complete range of services including capital raising, share trading, corporate advisory, marketing, presentation, consulting and strategic advice.</p> <p>Bryant has over 20 years' experience in public capital markets and raising capital for technology ventures. Bryant was the Executive Chairman of PharmAust Limited (ASX:PAA), during which time it provided highly specialised medicinal and synthetic chemistry services on a contract basis to clients. Bryant was also a Non Executive Director of Avation PLC (LSE:AVAP), a specialist commercial passenger aircraft leasing company managing a fleet of 24 aircraft, from 2008 to 2013. Avation also has a subsidiary that supplies aircraft parts and spares to a range of operators internationally.</p>
Length of service:	Director since 28 April 2015
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Chairman of Remuneration and Nomination Committee
Interests in shares:	2,312,469
Interests in options:	545,995 (Listed options) and 5,550,000 (Unlisted options- includes related party transactions)
Contractual rights to shares:	None

# DIRECTORS' REPORT



Name: Danielle Lee (appointed on 16 September 2015)  
Title: Non-Executive Director  
Qualifications: Bachelor of Economics from the University of Western Australia, Bachelor of Laws from the University of Western Australia (first class honours); Post Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.  
Experience and expertise: Danielle is a corporate lawyer with more than 20 years' experience shared between private law firms and the Australian Securities Exchange (ASX). Danielle is currently special counsel at Jackson McDonald working in the corporate commercial team. Danielle's main practice areas are corporate advisory, governance and equity capital markets. Danielle advises on a range of corporate and commercial transactions including capital raisings, business and share acquisitions, shareholder agreements and joint venture arrangements. Danielle regularly advises on issues relating to the Corporations Act and ASX Listing Rules. Danielle was previously counsel for Fairweather Corporate Lawyers for approximately 7 years after having worked for approximately 9 years as legal counsel at ASX Sydney and Assistant Manager at ASX Perth.  
Length of service: Director since 16 September 2015  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Chairman of Audit and Risk Committee and member of Remuneration and Nomination Committee  
Interests in shares: None  
Interests in options: 950,000 (Unlisted options)  
Contractual rights to shares: None

Name: Andrew Harris (appointed 21 June 2016)  
Title: Non-Executive Director  
Qualifications: PhD in engineering from the University of Cambridge and undergraduate degrees in engineering and science from the University of Queensland. A Fellow of the Institution of Chemical Engineers and Engineers Australia and a member of the Australian Institute of Company Directors  
Experience and expertise: Dr Andrew Harris is highly experienced in renewable energy, sustainability, biomimicry, nanotechnology, process engineering and the hydrogen energy economy. He is the lead Director of the Engineering Excellence Group within Laing O'Rourke's internal engineering and innovation team. Laing O'Rourke is one of the world's largest privately owned engineering and construction companies, with annual revenues of \$8 billion, 15,000 staff and operations in Europe, North America, the Middle East, Asia and Australia. The Engineering Excellence Group was established to be a global centre of excellence, to transform Laing O'Rourke's capabilities through strategic innovation, research and development, and enhanced technical performance. Dr Harris is also Professor of Chemical and Biomolecular Engineering at the University of Sydney and co-director of the Laboratory for Sustainable Technology, the state of art laboratory where Hazer has established its core development activities for the Hazer Process. Dr Harris was the youngest ever professor of Chemical Engineering appointed at the University of Sydney. Dr Harris was also previously the Chief Technology Officer of Zenogen Pty Ltd, a Sydney-based hydrogen production technology company, and was a co-founder of Oak Nano, a University of Sydney start-up commercialising novel carbon nanotube technology. Oak Nano designed and built the largest carbon nanotube production facility in the southern hemisphere.  
Length of service: Director since 21 June 2016  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: None  
Interests in options: None  
Contractual rights to shares: None

# DIRECTORS' REPORT



'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Company secretary

Emma Waldon has held the role of Company Secretary since 10 August 2015. Emma has diverse global corporate advisory, capital markets and corporate governance experience having held roles in accounting and debt and equity capital markets in Australia and the United Kingdom.

Emma Waldon qualified as a Chartered Accountant with Ernst & Young in Perth, worked as an Equities Analyst with Euroz Securities and spent 9 years in London with Bank of Scotland and Lloyds Bank originating and re-structuring debt finance for private equity leveraged buy-outs of businesses across Europe. Emma was most recently a Director within Deloitte's financial advisory services division in Perth and is currently a Non-Executive Director and the Company Secretary of Moko Social Media Limited.

Emma Waldon completed a Bachelor of Commerce at UWA, is a member of the Institute of Chartered Accountants of Australia, a Fellow of the Financial Services Institute of Australasia and a Certificated Member of the Governance Institute of Australia.

## Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Geoff Pocock	3	3
Rick Hopkins	3	3
Bryant McLarty	3	3
Danielle Lee	3	3
Andrew Harris	-	-

Held: represents the number of meetings held during the time the director held office.



## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### **Principles used to determine the nature and amount of remuneration**

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The performance of the company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel and is based on the following factors:

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, including growth in the share price, as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive directors do not receive any retirement benefits, other than statutory superannuation.

# DIRECTORS' REPORT



ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. Aggregate fixed remuneration for all non-executive directors as determined by the Board is not to exceed \$300,000 per annum. Directors' fees cover all main board and committee activities.

The level of non-executive director fixed fees as at the reporting date are as follows:

Rick Hopkins	\$35,000 plus statutory superannuation per annum
Bryant McLarty	\$25,000 plus statutory superannuation per annum
Danielle Lee	\$25,000 plus statutory superannuation per annum
Andrew Harris	\$25,000 plus statutory superannuation per annum

Non-executive directors may also receive performance related compensation via options following receipt of shareholder approval. Options issued to directors in the year ended 30 June 2016 were issued prior to the Company's official listing on the ASX and disclosed in a Prospectus lodged on 22 September 2015. The issue of share based payments as part of non-executive director remuneration ensures that director remuneration is competitive with market standards as well as providing an incentive to pursue longer term success for the Company. It also reduces the demand on the cash resources of the Company, and assists in ensuring the continuity of service of directors who have extensive knowledge of the Company, its business activities and assets and the industry in which it operates. Details of share-based compensation is contained in this report.

## *Executive remuneration*

The company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the company and provides additional value to the executive.

Performance based short-term incentives ('STI') may be provided to executives to align the targets of the business with the targets of those executives responsible for meeting those targets.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares and options may be awarded to executives based on long-term incentive measures including increasing shareholder value. Share based LTIs issued to the Managing Director are subject to shareholder approval. Options issued to the Managing Director in the year ended 30 June 2016 were issued prior to the Company's official listing on the ASX and disclosed in a Prospectus lodged on 22 September 2015.

## *Use of remuneration consultants*

During the financial year ended 30 June 2016, the Company did not engage the services of independent remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

## *Voting and comments made at the company's Annual General Meeting ('AGM')*

Following the Company's admission to the official list of the ASX on 30 November 2015, the *Corporations Act* requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. This will be undertaken at the next AGM of the Company.

# DIRECTORS' REPORT



## Details of remuneration

### Amounts of remuneration

Details of the remuneration of key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of Hazer Group Limited:

- Geoff Pocock – Managing Director
- Rick Hopkins – Non- Executive Chairman
- Bryant McLarty – Non- Executive Director
- Danielle Lee - Non- Executive Director (appointed 16 September 2015)
- Andrew Harris – Non- Executive Director (appointed 21 June 2016)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Rick Hopkins*	29,167	-	-	2,771	-	21,375	53,313
Bryant McLarty**^	4,167	-	-	396	-	13,979	18,542
Danielle Lee*	20,833	-	-	1,979	-	15,594	38,406
Andrew Harris***	2,083	-	-	198	-	-	2,281
<i>Executive Directors:</i>							
Geoff Pocock****	140,000	-	-	13,300	-	69,894	223,194
	196,250	-	-	18,644	-	120,842	335,736

\* Represents remuneration from 1 September 2015 to 30 June 2016

\*\* Represents remuneration from 1 May 2015 to 30 June 2016

\*\*\* Represents remuneration from 1 June 2015 to 30 June 2016

\*\*\*\* Represents remuneration from 1 December 2015 to 30 June 2016

^ The share based payments above are only those made in capacity as Director. They do not include amounts for other services paid. Related party payments have been disclosed in Note 16.



# DIRECTORS' REPORT



2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>							
Rick Hopkins	-	-	-	-	-	-	-
Bryant McLarty	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Geoff Pocock	-	-	-	-	-	43,621	43,621
	-	-	-	-	-	43,621	43,621

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Rick Hopkins	60%	-	-	-	40%	-
Bryant McLarty	25%	-	-	-	75%	-
Danielle Lee	59%	-	-	-	41%	-
Andrew Harris	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Geoff Pocock	69%	-	-	-	31%	100%

## Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Geoff Pocock
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 December 2015
Term of agreement:	Open
Details:	Base salary \$240,000 plus statutory superannuation, to be reviewed by the Remuneration and Nomination Committee 12 months from commencement and every 12 months thereafter or as otherwise agreed. 6 month termination notice by either party. 6 month non-solicitation clause after termination. The Company may terminate without notice in certain circumstances such as misconduct.

# DIRECTORS' REPORT



## Share-based compensation

### Options

The terms and conditions of each grant of options over ordinary shares during this financial year affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Option series	Number of options issued	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Series A	350,000	16 September 2015	2 December 2015	31 December 2017	\$0.25	\$0.011
Series C	3,350,000	16 September 2015	2 June 2016	31 December 2018	\$0.25	\$0.017
Series D	3,350,000	16 September 2015	2 June 2017	31 December 2019	\$0.40	\$0.018
Total	<u>7,050,000</u>					

The Series A are primary Options which upon exercise result in the issue of one Share and one Series B Option (a secondary option) are exercisable at \$0.40 each and expire 31 December 2020. This is a reload feature and has been accounted for as such under AASB 2 "Share-based payments".

The options vest if the holder has continued to be engaged as an employee, contractor, consultant or Board member of the Company prior to the vesting date.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
Geoff Pocock	4,000,000	3,000,000	2,000,000	3,000,000
Rick Hopkins	1,300,000	-	750,000	-
Bryant McLarty	800,000	-	400,000	-
Danielle Lee	950,000	-	550,000	-
Andrew Harris	-	-	-	-
Total	<u>7,050,000</u>	<u>3,000,000</u>	<u>3,700,000</u>	<u>3,000,000</u>

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Geoff Pocock	69,894	-	-	31%
Rick Hopkins	21,375	-	-	40%
Bryant McLarty	13,979	-	-	75%
Danielle Lee	15,594	-	-	41%
Andrew Harris	-	-	-	-
Total	<u>120,842</u>	<u>-</u>	<u>-</u>	<u>-</u>



## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year	Additions subsequent to the year end
<i>Ordinary shares</i>						
Geoff Pocock	4,200,000	-	-	-	4,200,000	-
Rick Hopkins	800,010	-	-	-	800,010	-
Bryant McLarty	1,800,000	-	393,979	-	2,193,979	118,490
Danielle Lee	-	-	-	-	-	-
Andrew Harris	-	-	-	-	-	-
	<u>6,800,010</u>	<u>-</u>	<u>393,979</u>	<u>-</u>	<u>7,193,989</u>	<u>118,490</u>

### Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other *	Balance at the end of the year	Additions subsequent to the year end
<i>Options over ordinary shares</i>						
Geoff Pocock	3,000,000	4,000,000	-	1,050,000	8,050,000	-
Rick Hopkins	-	1,300,000	-	200,003	1,500,003	-
Bryant McLarty	2,500,000 <sup>^</sup>	800,000	-	2,795,995 <sup>^^</sup>	6,095,995	-
Danielle Lee	-	950,000	-	-	950,000	-
Andrew Harris	-	-	-	-	-	-
	<u>5,500,000</u>	<u>7,050,000</u>	<u>-</u>	<u>4,045,998</u>	<u>16,595,998</u>	<u>-</u>

\* Other represents listed options (ASX code: HZRO) issued as a result of each Director's participation in an entitlement option issue pursuant to a prospectus lodged on 21 March 2016.

<sup>^</sup> During the 2015 financial year, Mac Equity Partners Pty Ltd (a company controlled by Bryant McLarty) were appointed as underwriters for the capital raising that occurred in the 2015 financial year. Pursuant to an underwriter's agreement, Mac Equity Partners Pty Ltd were issued with 5,000,000 series A options valued at \$72,703. Bryant McLarty was issued 2,500,000 of these options valued at \$36,351 as a nominated party of Mac Equity Partners Pty Ltd.

<sup>^^</sup> Bryant McLarty was issued 2,250,000 options valued at \$249,746 as a nominated party of Mac Equity Partners Pty Ltd (a company controlled by Bryant McLarty) pursuant to an agreement appointing Mac Equity Partners Pty Ltd as lead manager of the initial public offering of the Company during the 2016 financial year. Please refer below for further details.

# DIRECTORS' REPORT



## *Other transactions with key management personnel and their related parties*

During the financial year, the following payments were made to key management personnel and their related parties:

- Mac Equity Partners Pty Ltd, a company controlled by Bryant McLarty, received a \$300,000 capital raising fee and 10,000,000 Series E options valued at \$1,109,953 as lead manager to the initial public offering. Mac Equity Partners Pty Ltd was entitled to pass on any part of the fees to Australian financial services licensees or authorised representatives or nominate parties to receive some of the Series E options. Bryant McLarty received 2,250,000 series E options valued at \$249,746.

- Mac Equity Partners (International) Pty Ltd a company of which Bryant McLarty and Geoff Pocock are directors and shareholders received:

- o \$147,600 pursuant to a corporate services agreement to provide office space, internet, telephone, company secretarial and accounting services to the Company; and
- o a \$35,784 capital raising fee as lead manager to a placement completed on 18 March 2016.

- Polaris Consulting (WA) Pty Ltd, a company controlled by Geoff Pocock, received \$185,000 pursuant to a services agreement to provide operational management services until the listing of the Company on the ASX. This agreement ceased upon listing on the ASX. The amount received included a \$50,000 success fee payable upon the listing of the Company on the ASX prior to 31 December 2015.

- PKF Lawler, a company of which Rick Hopkins is a partner, received \$15,357 for the provision of accounting services.

All transactions were made on normal commercial terms and conditions and at market rates.

***This concludes the remuneration report, which has been audited.***



## Shares under option

Unissued ordinary shares of Hazer Group Limited under option at the date of this report are as follows:

Option series	Grant date	Expiry date	Exercise price	Number under option
Series A	30 January 2015	31 December 2017	\$0.25	8,000,000
Series A	9 February 2015	31 December 2017	\$0.25	3,000,000
Series A	16 September 2015	31 December 2017	\$0.25	500,000
Series C	16 September 2015	31 December 2018	\$0.25	5,250,000
Series D	16 September 2015	31 December 2019	\$0.40	5,250,000
Series E	2 December 2015	31 December 2018	\$0.30	10,000,000
Series E	14 March 2016	31 December 2018	\$0.30	300,000
Listed options	28 April 2016	31 December 2018	\$0.30	15,041,564
<b>Total</b>	<b>30 June 2016</b>			<b>47,341,564</b>
<i>Additions/Disposals/Exercise subsequent to year end</i>				
Series F	1 July 2016	30 June 2019	\$0.55	575,000
Series G	1 July 2016	30 June 2020	\$0.75	575,000
Listed options	28 April 2016	31 December 2018	\$0.30	(33,632)
<b>Total</b>				<b>48,457,932</b>

The Series A are primary Options which upon exercise result in the issue of one Share and one Series B Option (a secondary option) are exercisable at \$0.40 each and expire 31 December 2020.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options

The following ordinary shares of Hazer Group Limited were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Date options granted	Date shares issued	Exercise price	Number of shares issued
28 April 2016	30 June 2016	\$0.30	3,750
28 April 2016	29 July 2016	\$0.30	33,632
<b>Total</b>			<b>37,382</b>

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

# DIRECTORS' REPORT



## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 13 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 13 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

## Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Geoff Pocock'.

---

Geoff Pocock  
Managing Director

31 August 2016  
Perth

**RSM Australia Partners**

8 St Georges Terrace Perth WA 6000  
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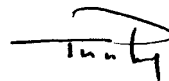
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Hazer Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 31 August 2016

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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## General information

The financial statements cover Hazer Group Limited as a company consisting of Hazer Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

Hazer Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

7/29 The Avenue  
Nedlands WA 6009

### Principal place of business

7/29 The Avenue  
Nedlands WA 6009

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2016. The directors have the power to amend and reissue the financial statements.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



	Note	2016 \$	2015 \$
<b>Revenue</b>			
Interest received		59,606	6,632
Other income		23,946	-
<b>Expenses</b>			
Administration expenses		(712,929)	(59,164)
Consulting and research expenses		(601,992)	(204,836)
Share based payments		(149,908)	(264,994)
Finance costs		(181)	(131)
Employee benefits expense		(462,900)	-
<b>Loss before income tax expense</b>		<b>(1,844,358)</b>	<b>(522,493)</b>
Income tax expense	8	-	-
<b>Loss after income tax expense for the year</b>		<b>(1,844,358)</b>	<b>(522,493)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,844,358)</b>	<b>(522,493)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	20	3.57	2.24
Diluted loss per share	20	3.57	2.24

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

# STATEMENT OF FINANCIAL POSITION



	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	4,677,919	562,927
Other current assets	5	75,768	28,388
<b>Total current assets</b>		<u>4,753,687</u>	<u>591,315</u>
<b>Total assets</b>		<u>4,753,687</u>	<u>591,315</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	114,276	46,224
Provisions	7	218,641	-
<b>Total current liabilities</b>		<u>332,917</u>	<u>46,224</u>
<b>Total liabilities</b>		<u>332,917</u>	<u>46,224</u>
<b>Net assets</b>		<u>4,420,770</u>	<u>545,091</u>
<b>Equity</b>			
Issued capital	9	5,993,682	1,582,945
Reserves	10	1,438,694	129,394
Accumulated losses	11	(3,011,606)	(1,167,248)
<b>Total equity</b>		<u>4,420,770</u>	<u>545,091</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

# STATEMENT OF CHANGES IN EQUITY



2015	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>714,232</b>	-	<b>(644,755)</b>	<b>69,477</b>
Loss after income tax expense for the year	-	-	(522,493)	(522,493)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(522,493)	(522,493)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 9)	733,113	-	-	733,113
Share-based payments (note 19)	135,600	129,394	-	264,994
<b>Balance at 30 June 2015</b>	<b>1,582,945</b>	<b>129,394</b>	<b>(1,167,248)</b>	<b>545,091</b>
2016	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2015</b>	<b>1,582,945</b>	<b>129,394</b>	<b>(1,167,248)</b>	<b>545,091</b>
Loss after income tax expense for the year	-	-	(1,844,358)	(1,844,358)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,844,358)	(1,844,358)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 9)	4,368,737	-	-	4,368,737
Share-based payments (note 19)	42,000	1,309,300	-	1,351,300
<b>Balance at 30 June 2016</b>	<b>5,993,682</b>	<b>1,438,694</b>	<b>(3,011,606)</b>	<b>4,420,770</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes

# STATEMENT OF CASH FLOWS



	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		-	-
Payments to suppliers and employees (inclusive of GST)		<u>(1,527,891)</u>	<u>(242,882)</u>
		(1,527,891)	(242,882)
Interest received		48,990	6,632
Interest and other finance costs paid		(181)	(131)
Research and development tax rebate received		<u>23,945</u>	<u>-</u>
Net cash used in operating activities	18	<u>(1,455,137)</u>	<u>(236,381)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,045,053	733,113
Share issue transaction costs		(476,049)	-
Proceeds from exercise of share options		<u>1,125</u>	<u>-</u>
Net cash from financing activities		<u>5,570,129</u>	<u>733,113</u>
Net increase in cash and cash equivalents		4,114,992	496,732
Cash and cash equivalents at the beginning of the financial year		<u>562,927</u>	<u>66,195</u>
Cash and cash equivalents at the end of the financial year	4	<u><u>4,667,919</u></u>	<u><u>562,927</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*



## Note 1. Significant accounting policies

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

### **New, revised or amending Accounting Standards and Interpretations adopted**

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.



## Note 1. Significant accounting policies (Cont'd)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other income

Other income is primarily the research and development tax refund received for a claim under the Commonwealth Government's Research and Development Tax Incentive Regime. Revenue is recorded once it is probable that the company will receive the benefit.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.



## Note 1. Significant accounting policies (Cont'd)

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

The company provides benefits in the form of share-based payments, whereby persons render services in exchange for shares or rights over shares ('equity settled transactions'). The company does not provide cash settled share-based payments.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the period in which the service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the 'vesting period'). The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.



## Note 1. Significant accounting policies (Cont'd)

### Issued capital

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.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Hazer Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Research and development

Research costs are expensed in the period in which they are incurred.

Development costs are capitalised when it is probable that the project will be success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight line basis over the period of their expected benefit.



# NOTES TO THE FINANCIAL STATEMENTS



## Note 1. Significant accounting policies (Cont'd)

### New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of Australian Accounting Standards that have been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2016. The effect of these new or amended Accounting Standards is expected to give rise to additional disclosures and new policies being adopted. Refer below for the Standards relevant to the Company that are not yet effective and have not been early adopted.

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p><b>Lessee accounting</b></p> <ul style="list-style-type: none"> <li>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>• AASB 16 contains disclosure requirements for lessees</li> </ul> <p><b>Lessor accounting</b></p> <ul style="list-style-type: none"> <li>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>• AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> <li>(a) AASB 117 Leases</li> <li>(b) Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>(c) SIC-15 Operating Leases—Incentives</li> <li>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</li> </ul> <p>The new standard will be effective for annual periods beginning on or after 1 January</p> <p>2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019	1 July 2019

## Note 2: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 2. Critical accounting judgements, estimates and assumptions (Cont'd)

### Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

## Note 3. Operating segments

The Company has considered the requirements of AASB8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The company operates as a single segment being research and development of novel graphite and hydrogen production technology. The board of directors review the earnings before tax and net assets of the company. The information is reported on a monthly basis. There is no difference between the audited financial report and the internal reports generated for review. The company is domiciled in Australia and is currently in the development phase and hence has not begun to generate revenue from operations. All the assets are located in Australia.

## Note 4. Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	1,177,919	562,927
Cash on deposit	3,500,000	-
	<u>4,677,919</u>	<u>562,927</u>

## Note 5. Other current assets

	2016 \$	2015 \$
Prepayments	22,500	-
GST refundable	42,652	28,388
Accrued interest	10,616	-
	<u>75,768</u>	<u>28,388</u>

## Note 6. Trade and other payables

	2016 \$	2015 \$
Trade payables	41,478	46,224
Other payables	72,798	-
	<u>114,276</u>	<u>46,224</u>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 7. Provisions

	2016 \$	2015 \$
Employee benefits - current	18,641	-
Research agreement	200,000	-
	<u>218,641</u>	<u>-</u>

## Note 8. Income Tax

The prima facie tax receivable on loss before income tax is reconciled to the income tax expense as follows:

	2016 \$	2015 \$
Prima facie benefit on operating loss at 28.5% (2015: 30%)	525,642	156,758
Tax losses not brought to account	<u>(525,642)</u>	<u>(156,758)</u>
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$748,092 (2015: \$222,450) and has not been brought to account at reporting date because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and research and development expenditure to be realised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and research and development expenditure.

## Note 9. Equity - issued capital

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares	<u>64,540,752</u>	<u>36,192,002</u>	<u>5,845,279</u>	<u>1,582,945</u>
Listed options	<u>15,041,564</u>	<u>-</u>	<u>148,403</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 9. Equity - issued capital (cont)

### Ordinary share capital

#### Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
<b>Balance</b>	1 July 2014	15,299,010		714,232
Issue of shares on the exercise of rights	30 January 2015	13,841,833	\$0.05	692,092
Share issue transaction costs, net of tax	30 January 2015	-		(145,000)
Issue of shares	30 January 2015	3,750,000	\$0.05	187,500
Issue of shares	9 February 2015	1,250,000	\$0.05	62,500
Issue of shares on the exercise of rights	24 April 2015	1,457,177	\$0.05	72,859
Share issue transaction costs, net of tax	24 April 2015	-		(30,937)
Issue of shares	24 April 2015	393,982	\$0.05	19,699
Issue of shares	19 May 2015	200,000	\$0.05	10,000
<b>Balance</b>	<b>30 June 2015</b>	<b>36,192,002</b>		<b>1,582,945</b>
<b>Balance</b>				
Issue of shares	2 December 2015	25,000,000	\$0.20	5,000,000
Share issue transaction costs, net of tax	2 December 2015	-		(1,611,416)
Issue of shares	18 March 2016	3,195,000	\$0.28	894,600
Share issue transaction costs, net of tax	18 March 2016	-		(63,975)
Issue of shares to contractors	18 March 2016	150,000	\$0.28	42,000
Issue of shares on exercise of options	30 June 2016	3,750	\$0.30	1,125
<b>Balance</b>	<b>30 June 2016</b>	<b>64,540,752</b>		<b>5,845,279</b>
<b>Listed options</b>				
<b>Balance</b>				
Issue of entitlement options	28 April 2016	15,045,314	\$0.01	150,453
Option issue transaction costs, net of tax	28 April 2016	-		(2,050)
Exercise of options	30 June 2016	(3,750)		-
<b>Balance</b>	<b>30 June 2016</b>	<b>15,041,564</b>		<b>148,403</b>
<b>Total issued capital</b>	<b>30 June 2016</b>			<b>5,993,682</b>

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Share buy-back

There is no current on-market share buy-back scheme in place.

#### Capital risk management

The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 9. Equity - issued capital (cont)

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the previous financial reporting year.

## Note 10. Equity - reserves

	2016 \$	2015 \$
Option reserve	1,438,694	129,394
	<u>1,438,694</u>	<u>129,394</u>

### Option reserve

The option reserve records items recognised as expenses on the valuation of share options.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	No of Options	Value \$
<b>Balance at 1 July 2014</b>	-	-
Issue of options	11,000,000	129,394
<b>Balance at 30 June 2015</b>	11,000,000	129,394
<i>1 July 2015</i>		
<i>New options issued during the year vesting over multiple periods</i>		
Issue of options	21,300,000	1,309,300
<b>Balance at 30 June 2016</b>	<u>32,300,000</u>	<u>1,438,694</u>

## Note 11. Equity – accumulated losses

	2016 \$	2015 \$
Accumulated losses at the beginning of the financial year	1,167,248	644,755
Loss after income tax expense for the year	1,844,358	522,493
Accumulated losses at the end of the financial year	<u>3,011,606</u>	<u>1,167,248</u>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 12. Key management personnel disclosures

### Compensation

The aggregate compensation made to key management personnel of the company is set out below:

	2016 \$	2015 \$
Short-term employee benefits	196,250	-
Post-employment benefits	18,644	-
Long-term benefits	-	-
Share-based payments	120,842	43,621
	<u>335,736</u>	<u>43,621</u>

## Note 13. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, its network firms and unrelated firms:

	2016 \$	2015 \$
<i>Audit services</i>		
Audit or review of the financial statements	39,000	10,000
<i>Other services</i>		
Investigating Accountants Report	-	10,000
	<u>39,000</u>	<u>20,000</u>

## Note 14. Contingent assets and liabilities

The company does not have any contingent assets or contingent liabilities at 30 June 2016.

## Note 15. Commitments

	2016 \$	2015 \$
<i>Corporate services – including lease of office space, company and secretarial services</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	13,000	13,000
Total	<u>13,000</u>	<u>13,000</u>



## Note 16. Related party transactions

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 12 and the remuneration report in the directors' report.

### *Transactions with related parties*

During the financial year, the following transactions occurred with related parties:

- Mac Equity Partners Pty Ltd, a company controlled by Bryant McLarty, received a \$300,000 capital raising fee and 10,000,000 Series E options as lead manager to the initial public offering. Mac Equity Partners Pty Ltd was entitled to pass on any part of the fees to Australian financial services licensees or authorised representatives or nominate parties to receive some of the Series E options. Bryant McLarty received 2,250,000 series E options valued at \$249,746.

- Mac Equity Partners (International) Pty Ltd a company of which Bryant McLarty and Geoff Pocock are directors and shareholders received:

- o \$147,600 pursuant to a corporate services agreement to provide office space, internet, telephone, company secretarial and accounting services to the Company; and
- o a \$35,784 capital raising fee as lead manager to a placement completed on 18 March 2016.

- Polaris Consulting (WA) Pty Ltd, a company controlled by Geoff Pocock, received \$185,000 pursuant to a services agreement to provide operational management services until the listing of the Company on the ASX. This agreement ceased upon listing on the ASX. The amount received included a \$50,000 success fee payable upon the listing of the Company on the ASX prior to 31 December 2015.

- PKF Lawler, a company of which Rick Hopkins is a partner, received \$15,357 for the provision of accounting services.

All transactions were made on normal commercial terms and conditions and at market rates.

### *Receivable from and payable to related parties*

There was \$12,777 owing to PKF Lawler at 30 June 2016. In the previous financial year, there was \$32,656 owing to Polaris Consulting (WA) Pty Ltd at 30 June 2015.

## Note 17. Events after the reporting period

On 22 July 2016, the following options were issued to the Chairman of the Science Advisory Committee (i) 575,000 options exercisable at \$0.55 each which vest 6 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date and (ii) 575,000 options exercisable at \$0.75 each which vest 18 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date.

On 1 July 2016, the same options as noted above were resolved to be issued to Andrew Harris as a Director of the Company and are subject to shareholder approval at the next annual general meeting. The details of the options resolved to be issued whilst still subject to shareholder approval at the next annual general meeting are as follows (i) 575,000 options exercisable at \$0.55 each and expiring 30 June 2019 which vest 6 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date and (ii) 575,000 options exercisable at \$0.75 each and expiring 30 June 2020 which vest 18 months after appointment provided the holder has continued to be engaged as an employee or contractor of the Company prior to the vesting date.

On 29 July 2016 33,632 ordinary shares were issued on the exercise of 33,632 listed options (ASX code: HZRO) at an exercise price of \$0.30 each generating share issue proceeds of \$10,090.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 18. Reconciliation of profit after income tax to net cash from operating activities

	2016 \$	2015 \$
Loss after income tax expense for the year	(1,844,358)	(522,493)
Adjustments for:		
Share-based payments	149,908	264,994
Change in operating assets and liabilities:		
- trade and other receivables	(47,380)	(25,106)
- trade and other payables	68,052	46,224
- employee benefits	18,641	-
- other provisions	200,000	-
Net cash used in operating activities	<u>(1,455,137)</u>	<u>(236,381)</u>

## Note 19. Share based payments

### For the year ended 30 June 2016:

On 18 March 2016, 150,000 shares were issued to contractors at an issue price of \$0.28 per share with a total value of \$42,000.

Set out below are summaries of the movements of options granted to key management personnel, employees and contractors of the company:

2016							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
30/01/2015	31/12/2017	\$0.25	8,000,000	-	-	-	8,000,000
09/02/2015	31/12/2017	\$0.25	3,000,000	-	-	-	3,000,000
16/09/2015	31/12/2017	\$0.25	-	500,000	-	-	500,000
16/09/2015	31/12/2018	\$0.25	-	5,250,000	-	-	5,250,000
16/09/2015	31/12/2019	\$0.40	-	5,250,000	-	-	5,250,000
25/11/2015	31/12/2018	\$0.30	-	10,000,000	-	-	10,000,000
14/03/2016	31/12/2018	\$0.30	-	300,000	-	-	300,000
			11,000,000	21,300,000	-	-	32,300,000
Weighted average exercise price			\$0.25	\$0.31	\$0.00	\$0.00	\$0.29

### For the year ended 30 June 2015:

On 30 January 2015, 1,250,000 shares were issued to key management personnel and 2,500,000 shares were issued to creditors for underwriting and other capital raising costs at an issue price of \$0.05 per share with a total value of \$187,500.

On 9 February 2015, 1,250,000 shares were issued to key management personnel at an issue price of \$0.05 per share with a total value of \$62,500.

On 24 April 2015, 393,982 shares were issued to creditors at an issue price of \$0.05 per share with a total value of \$19,699. Of this amount, \$19,099 related to capital raising costs.

On 19 May 2015, 200,000 shares were issued to creditors at an issue price of \$0.05 per share with a total value of \$10,000.

Set out below are summaries of the movements of options granted to key management personnel, employees and contractors of the company:



# NOTES TO THE FINANCIAL STATEMENTS



## Note 19. Share based payments (cont) 2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
30/01/2015	31/12/2017	\$0.25	-	8,000,000	-	-	8,000,000
09/02/2015	31/12/2017	\$0.25	-	3,000,000	-	-	3,000,000
			-	11,000,000	-	-	11,000,000
Weighted average exercise price			\$0.00	\$0.25	\$0.00	\$0.00	\$0.25

Set out below are the options exercisable at the end of the financial year:

Option series	Grant date	Expiry date	2016 Number	2015 Number
Series A	30/01/2015	31/12/2017	8,000,000	8,000,000
Series A	09/02/2015	31/12/2017	3,000,000	3,000,000
Series A	16/09/2015	31/12/2017	500,000	-
Series C	16/09/2015	31/12/2018	5,250,000	-
Series D	16/09/2015	31/12/2019	5,250,000	-
Series E	25/11/2015	31/12/2018	10,000,000	-
Series E	14/03/2016	31/12/2018	300,000	-
			<u>32,300,000</u>	<u>11,000,000</u>

The Series A Options are primary Options which upon the exercise of each Series A Option result in the issue of one Share and one Series B Option (a secondary Option). Series B Options have an exercise price of 40 cents and an expiry date of 31 December 2020.

The Series D Options vest on 2 June 2017, 18 months after the Company was admitted to the official list of the ASX, provided the holder (or nominee) has continued to be engaged as an employee, contractor, consultant or Board member of the Company prior to the vesting date. 300,000 Series E options vest on 18 September 2016 provided the holder (or nominee) has continued to be engaged as an employee, contractor, consultant or Board member of the Company prior to the vesting date.

The total value of the share options outlined above was \$1,510,517 valued using the Black-Scholes model. During the year ended 30 June 2016, \$149,908 was charged to profit or loss. A portion of the options issued above was recognised in equity as a capital raising cost as it relates to capital raising efforts during the financial year. The remainder will be expensed in future financial periods.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.31 years (2015: 2.5 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/09/2015	31/12/2017	\$0.05	\$0.25	100.00%	0.00%	1.86%	\$0.011
16/09/2015	31/12/2018	\$0.05	\$0.25	100.00%	0.00%	1.84%	\$0.017
16/09/2015	31/12/2019	\$0.05	\$0.40	100.00%	0.00%	1.98%	\$0.018
25/11/2015	31/12/2018	\$0.20	\$0.30	100.00%	0.00%	2.06%	\$0.111
14/03/2016	31/12/2018	\$0.28	\$0.30	100.00%	0.00%	1.95%	\$0.166

# NOTES TO THE FINANCIAL STATEMENTS



## Note 19. Share based payments (cont)

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

	2016	2015
	\$	\$
Options issued to KMP	120,842	43,621
Options issued to employees/consultants	1,156,099	158,476
Shares issued to employees/consultants	42,000	135,600
Less:		
Options issued as part of capital raising	<u>(1,169,033)</u>	<u>(72,703)</u>
Total	<u>149,908</u>	<u>264,994</u>

## Note 20. Earnings per share

	2016	2015
	\$	\$
Loss after income tax	1,844,358	522,493
Non-controlling interest	<u>-</u>	<u>-</u>
Loss after income tax attributable to the owners of Hazer Group Limited	<u><u>1,844,358</u></u>	<u><u>522,493</u></u>

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	51,633,810	23,319,680
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>32,300,000</u>	<u>11,000,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>83,933,810</u></u>	<u><u>34,319,680</u></u>
	Cents	Cents
Basic loss per share	3.57	2.24
Diluted loss per share	3.57	2.24

# DIRECTORS' DECLARATION



In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

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Geoff Pocock  
Managing Director

31 August 2016  
Perth

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
HAZER GROUP LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Hazer Group Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hazer Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

- (a) the financial report of Hazer Group Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the Remuneration Report**

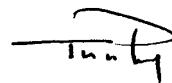
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion, the Remuneration Report of Hazer Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads "Tutu Phong".

TUTU PHONG  
Partner

Perth, WA  
Dated: 31 August 2016

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# SHAREHOLDER INFORMATION



## ASX Additional Information

The Company's ordinary shares are quoted as 'HZR' on ASX. The Company's listed options are quoted as 'HZRO' on ASX.

The shareholder information set out below was applicable as at 5 August 2016.

### **Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Number of ordinary shares</b>	<b>Number of holders of ordinary shares</b>
100,001 and over	46,804,450	100
10,001 to 100,000	14,649,277	375
5,001 to 10,000	2,112,427	242
1,001 to 5,000	974,575	316
1 to 1,000	33,655	46
	<hr/>	<hr/>
	64,574,384	1,079
	<hr/>	<hr/>
Holding less than a marketable parcel	-	-
	<hr/>	<hr/>
	<b>Number of listed options</b>	<b>Number of holders of listed options</b>
100,001 and over	7,049,399	29
10,001 to 100,000	6,711,153	188
5,001 to 10,000	632,327	80
1,001 to 5,000	562,839	204
1 to 1,000	52,214	72
	<hr/>	<hr/>
	15,007,932	573
	<hr/>	<hr/>
Holding less than a marketable parcel	85,409	99
	<hr/>	<hr/>

# SHAREHOLDER INFORMATION



## Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of each class of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
OOFY PROSSER PTY LTD	3,700,000	5.73
POINT AT INFINITY PTY LTD	3,548,583	5.50
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,088,134	3.24
MINERAL RESOURCES LIMITED	2,000,000	3.10
THE UNIVERSITY OF WESTERN AUSTRALIA	1,666,667	2.58
MR PAUL HARTLEY WATTS	1,500,000	2.32
MR BRYANT JAMES MCLARTY	1,350,000	2.09
MR JOHN OAKLEY CLINTON	1,256,159	1.95
KINETIC TRADE PTY LTD	1,075,000	1.67
MR JOHN OAKLEY CLINTON & MRS LILIAN ACHIENG CLINTON	953,031	1.48
MRS HELEN LEWIS	899,000	1.39
JAKANA PTY LTD	815,000	1.26
MR BRYANT JAMES MCLARTY	813,979	1.26
MR JASON PAUL SKINNER	808,744	1.25
CL SEWARD & CO PROPRIETARY LTD	800,000	1.24
MR NICHOLAS STUART BEATON DUNCAN	724,000	1.12
MRS CLAIRE ELIZABETH ALLEN	685,000	1.06
NATIONAL NOMINEES LIMITED	677,780	1.05
MR PETER HOWELLS	600,000	0.93
ZERO NOMINEES PTY LTD	562,752	0.87
	<b>26,523,829</b>	<b>41.09</b>

	Listed options	
	Number held	% of total shares issued
POINT AT INFINITY PTY LTD	937,146	6.24
OOFY PROSSER PTY LTD	925,000	6.16
MINERAL RESOURCES LIMITED	500,000	3.33
MR PAUL HARTLEY WATTS	400,000	2.67
MR BRYANT JAMES MCLARTY	337,500	2.25
MR MARK DOUGLAS HOLMES	335,704	2.24
KINETIC TRADE PTY LTD	268,750	1.79
MR MARTIN DURISKA	263,989	1.76
NEW MEDICAL ENTERPRISES PTY LTD	250,000	1.67
JAKANA PTY LTD	203,750	1.36
MR BRYANT JAMES MCLARTY	200,995	1.34
MRS CLAIRE ELIZABETH ALLEN	171,250	1.14
MR PETER HOWELLS	162,500	1.08
MR JOHN OAKLEY CLINTON	152,411	1.02
MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOOSEMORE	150,000	1.00
MR NICHOLAS STUART BEATON DUNCAN	146,000	0.97
ZERO NOMINEES PTY LTD	142,500	0.95
MR ERIK TYLER	136,545	0.91
MARIA POCOCK	125,000	0.83
CREGGAN HOLDINGS LTD	125,000	0.83
	<b>5,934,090</b>	<b>39.54</b>

# SHAREHOLDER INFORMATION



## Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares – Series A	11,500,000	7
Options over ordinary shares – Series C	5,250,000	6
Options over ordinary shares – Series D	5,250,000	6
Options over ordinary shares – Series E	10,300,000	9
Options over ordinary shares – Series F	575,000	1
Options over ordinary shares – Series G	575,000	1
Total	<u>33,450,000</u>	

## Restricted securities

Securities subject to ASX imposed restrictions on trading are set out below:

	Number restricted	Restricted until
Ordinary shares	10,219,837	2 Dec 2017
Options over ordinary shares – Series A	11,350,000	2 Dec 2017
Options over ordinary shares – Series C	4,850,000	2 Dec 2017
Options over ordinary shares – Series D	4,850,000	2 Dec 2017
Options over ordinary shares – Series E	10,000,000	2 Dec 2017

## Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
Geoff Pocock	4,200,000	6.50
Andrew Cornejo	3,748,583	5.81

## Voting rights

The voting rights attached to ordinary shares are set out below:

### Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## On-market Buy-back

There is no current on-market buy-back of the Company's securities in place.