

**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 2017
Previous period:	For the year ended 30 June 2016

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

			\$
Revenues from ordinary activities	up	304% to	337,785
Loss from ordinary activities after tax attributable to the owners of Hazer Group Limited	up	110% to	3,877,507
Loss for the year attributable to the owners of Hazer Group Limited	up	110% to	3,877,507

*Dividends*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017	0.0	0.0
Interim dividend for the year ended 30 June 2017	0.0	0.0

No dividend has been declared.

*Comments*

The loss for the company amounted to \$3,877,507 (30 June 2016: \$1,844,358).

Losses after income tax increased by 110% 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. Operating expenses during the period principally related to consulting fees, employee expenses, general corporate overhead and research and development expenses.

The Company's cash and cash equivalents were \$8,144,451 at 30 June 2017 (30 June 2016: \$4,677,919) and net assets at 30 June 2017 were \$8,880,690 (30 June 2016: \$4,420,770). Parts and engineering services associated with the construction of a pre-pilot plant facility totalling \$1,081,114 were capitalised during the year.

The operating cash outflow for the year increased by 77% to \$2,582,193 (30 June 2016: \$1,455,137) largely as a result of increased research and development activities. Investing cash outflows of \$1,078,171 (30 June 2016: \$0) related to the procurement of parts and engineering services associated with the construction of a pre-pilot plant facility. Financing cash inflows increased by 28% to \$7,126,896 (30 June 2016: \$5,570,129).

The main capital raising transactions during the year were (i) a \$5,000,000 strategic placement to existing shareholder Mineral Resources Limited (ASX:MIN) via the issue of 8,333,333 new fully paid ordinary shares at an issue price of \$0.60 per share and 4,166,167 unlisted options, each option giving the right to subscribe for one additional share at an exercise price of \$0.70 per share, with an expiry date of 31 December 2019 and (ii) \$2,133,860 was raised via a Share Purchase Plan under which eligible shareholders could apply for up to \$15,000 of shares at \$0.60 each.

The Company confirms in the period from admission to the official list of the ASX to 30 June 2017, 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>10.19</u>	<u>6.85</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

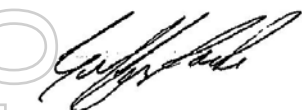
**7. Audit qualification or review**

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 2017 is attached.

**9. Signed**



Signed \_\_\_\_\_

Date: 31 August 2017

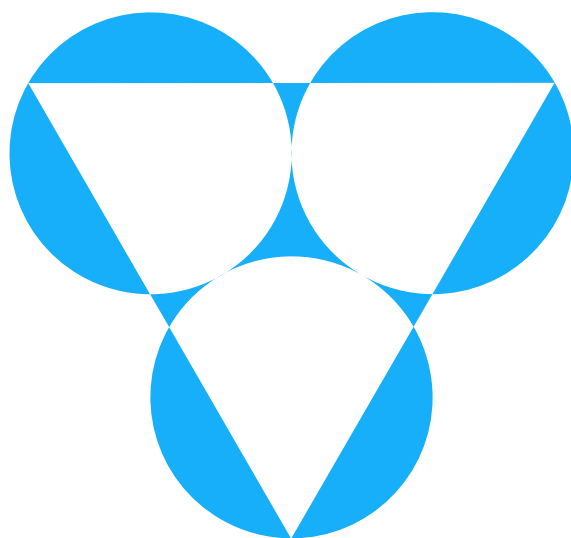
Geoff Pocock  
Director

For personal use only

**Hazer Group Limited**

**ABN 40 144 044 600**

**Annual Report – 30 June 2017**



# CORPORATE DIRECTORY



Directors	Geoff Pocock (Managing Director) Tim Goldsmith (Non-Executive Chairman) Danielle Lee (Non-Executive Director) Andrew Harris (Non-Executive Director) Terry Walsh (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 2017 Annual Report to shareholders.

During the past year the Company made significant progress towards the commercialisation of the Hazer Process including the commissioning of a Pre Pilot Plant, representing the transition of the Hazer Process from laboratory based equipment. The Company's balance sheet was also strengthened via the successful completion of fund raisings totalling \$7.1m (before costs).

The successful commissioning of the Company's Pre Pilot Plant, located in St Marys in Western Sydney, demonstrates the potential operation of the Hazer Process beyond laboratory based equipment, and brings Hazer closer to its goal of supplying global markets with economically competitive, clean hydrogen and synthetic graphite. The pre-pilot plant will now be used to illustrate the impact of scale-up on process performance and graphite product quality, and demonstrate the de-risking design and optimisation requirements of the technology.

With hydrogen tipped to become an important clean energy fuel, Hazer remains focused on advancing the scale of the Hazer Process to suit this market and take advantage of major trends occurring globally, including:

- Governments prioritising a push towards lower vehicle emissions
- Major automotive manufacturers pursuing fuel cell vehicles
- Increased consumer adoption of fuel cell vehicles
- Significant refueling infrastructure being developed across Europe, Asia and the US
- The increasing focus on small scale distributed hydrogen production
- Newly created 'Hydrogen Council' to invest \$10.7B euros in projects within 5 years

Graphite is the other key market opportunity for the Hazer Process and as part of a \$5.0m strategic placement from Mineral Resources Limited (ASX: MIN) during the year, Hazer and MIN have agreed to enter into formal discussions towards the establishment of a commercial partnership to develop an industrial scale synthetic graphite plant.

I am very excited to join Hazer at this inflection point in the company's commercialisation trajectory and to work with the management team as we evolve further into an industrial technology business. I look forward to executing our vision of supplying global markets with hydrogen and high quality graphite – both critical ingredients in the clean energy industry, and playing a role in prioritising and converting any potential commercial opportunities.

Finally, I would like to take the opportunity to acknowledge the contribution of former Director, Rick Hopkins, who stepped down as Chairman in July. Rick has been an investor in, and board member of, Hazer since its founding in 2010, and has been a key supporter of the technology and driver of the growth in the company over that time.

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

Yours faithfully

Mr Tim Goldsmith  
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 potential low cost, low emission novel hydrogen and graphite production technology, originally developed at the University of Western Australia.

The Hazer Process allows the production of hydrogen from methane in an environmentally friendly process together with the production of high purity graphite. Distinguishing features of the Hazer Process from existing commercial hydrogen production technologies include the use of low cost iron ore as a low cost catalyst for the process, and the co-production of high purity graphite, avoiding a significant proportion of the CO<sub>2</sub> emissions associated with traditional hydrogen production systems.

During the course of the 2016-2017 year, the Company has made significant progress on both technical, commercial and corporate development necessary to see the commercialisation of the Hazer Process.

## SIGNIFICANT PROCESS AND SCALE-UP MILESTONES ACHIEVED

During the year, the Company has made significant progress in the technical development and scale up of the Hazer Process.

### Laboratory Test Program

Laboratory test work, undertaken in collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering, saw substantial progress on key aspects of the Company's technical development program. The Company successfully demonstrated the Hazer Process at significantly greater scale, producing over 1kg of graphite, and also made substantial steps in improving the purity of the graphite produced, both at the initial reaction stage and also through subsequent chemical processing. Hazer has now shown the production of graphite at up to 95% purity as an immediate, raw product, as well as demonstrating the ability to further purify the raw graphite up to 99.95% tgc, the purity levels required for high value graphite uses, including use in batteries.

### Pre-Pilot Plant

In late 2016, construction of Hazer's pre-pilot plant facility began as the Company moved forward into the next phase of commercialisation and scale-up. The Pre Pilot Plant is a key milestone in the commercialisation process, representing the transition of the Hazer Process from laboratory based equipment.

In April 2017, Hazer successfully produced hydrogen and graphite from the facility, demonstrating the basic reaction functionality for the facility. Hazer completed commissioning of the Pre Pilot Plant in July 2017, cementing the transition from laboratory based operations to a larger custom designed plant.

This commissioning marked a significant inflection point in Hazer's development trajectory, with the pre-pilot plant currently commencing its key operational experimentation phase, to enable the determination of key operating parameters for the Hazer process' ongoing scale up and development, as well as identifying engineering requirements for the balance of plant (BOP) aspects for further scale up. A range of process design and operational optimisation opportunities identified during the commissioning phase are also being progressed as part of ongoing operations of the pre-pilot plant

## COMMERCIAL DEVELOPMENT EXPERTISE SECURED

As Hazer transitioned from laboratory based technical work to more substantial non-laboratory operations, the Company was pleased to add further commercial development expertise to the Board and management team.

Mr Cobus Malherbe was appointed as General Manager – Process Development in April 2017. With over 20 years commercial engineering experience, Cobus has brought a wealth of commercial and technical expertise, and substantial project management experience, to the Hazer technical team.

Most recently, the Company was pleased to secure ex-PwC Global Mining leader Tim Goldsmith as Chairman. Tim was previously a partner at global professional services firm PricewaterhouseCoopers (PwC) for over 20 years, where he was head of PwC's Global Mining Practice as well as leading PwC's operations in China. Tim comes with decades of leadership experience across mining and industrial sectors, and the Company is excited to have secured a Chairman with such significant global experience. Tim's relationships across international corporate clients and capital markets, in particular those in China, will be invaluable to Hazer going forward.

# MANAGING DIRECTOR'S REPORT



## CORPORATE & FINANCING

The Company completed a \$7.1m capital raising in March 2017, significantly increasing its balance sheet and cash reserves. The capital raising was underpinned by a \$5m cornerstone investment by existing shareholder Mineral Resources Limited (ASX: MIN), a leading and highly innovative full-service provider of mining infrastructure services in Australia with a market capitalisation of over \$2 billion. This investment makes MIN the Company's largest shareholder, with a 13% holding in the Company. Alongside the investment by Mineral Resources, the Company also raised an additional \$2.1m from existing shareholders via a Share Purchase Plan ("Plan"). The Company thanks Mineral Resources Limited and all shareholders who participated in the Plan for their continued support of the Company.

As part of the strategic placement from Mineral Resources Limited, Hazer and MIN also agreed to enter into formal discussions towards the establishment of a commercial partnership to develop an industrial scale synthetic graphite plant.

The Company also undertook a number of marketing activities during the year, with significant media interest in the potential for Hazer to become the world's cheapest means of supplying global markets with hydrogen and high quality graphite - both critical ingredients in the clean energy industry. Following on from these marketing activities and promotion, in early 2017 Hazer was selected to be one of 30 companies globally to present at the 2017 CleanEquity® Conference held in Monaco.

During the Monaco conference, and subsequent trips to the key clean energy markets of Europe and the US, Hazer has built strong relationships with a range of international partners who could assist the Company in realising the enormous potential of the core 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 2017.

## 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 (resigned 24 July 2017)  
Bryant McLarty (resigned 7 February 2017)  
Danielle Lee  
Andrew Harris  
Terry Walsh (appointed 7 February 2017)  
Tim Goldsmith (appointed 24 July 2017)

## 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').

## Dividends

There were no dividends paid during the year.

## Review of operations

The loss for the company amounted to \$3,877,507 (30 June 2016: \$1,844,358).

Losses after income tax increased by 110% 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. Operating expenses during the period principally related to consulting fees, employee expenses, general corporate overhead and research and development expenses.

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The main capital raising transactions during the year were (i) a \$5,000,000 strategic placement to existing shareholder Mineral Resources Limited (ASX:MIN) via the issue of 8,333,333 new fully paid ordinary shares at an issue price of \$0.60 per share and 4,166,167 unlisted options, each option giving the right to subscribe for one additional share at an exercise price of \$0.70 per share, with an expiry date of 31 December 2019 and (ii) \$2,133,860 was raised via a Share Purchase Plan under which eligible shareholders could apply for up to \$15,000 of shares at \$0.60 each.

The Company confirms in the period from admission to the official list of the ASX to 30 June 2017, 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.

## 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 6 July 2017, it was announced that the company had successfully commissioned its pre-pilot plant located in St Mary's in Western Sydney. This marked a significant inflection point in Hazer's development trajectory with the pre-pilot plant now ready to commence the operational experimentation phase. The commissioning demonstrated the potential operation of the Hazer process beyond laboratory based equipment and brings Hazer closer to its goal of supplying global markets with economically competitive, clean hydrogen and synthetic graphite.

On 24 July 2017, Tim Goldsmith was appointed as Non-Executive Chairman and Rick Hopkins resigned as Non-Executive Chairman.

On 24 July 2017, it was announced on the ASX that a Chairman's fee of \$60,000 per annum and the following options are proposed to be issued to Tim Goldsmith as a term of his engagement as a Non-Executive Chairman, subject to shareholder approval at the next annual general meeting of the Company (i) 1,000,000 options exercisable at \$0.75 each and expiring 30 June 2020 which vest 6 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date, (ii) 1,250,000 options exercisable at \$0.95 each and expiring 31 December 2020 which vest 12 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date and (iii) 1,500,000 options exercisable at \$1.20 each and expiring 31 December 2021 which vest 18 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date.

On 24 July 2017, the following material variations to the Executive Services Agreement of Geoff Pocock (Managing Director) were announced on the ASX, (a) pay a cash bonus of \$120,000 as satisfaction of any discretionary bonus entitlement up to 31 December 2016; and (b) subject to obtaining shareholder approval at the next general meeting of the Company, the Company will issue Geoff Pocock (or his nominee) the following options (i) 750,000 options with an exercise price of \$0.75 and expiry date of 30 June 2020, vesting 6 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date, (ii) 1,000,000 options with an exercise price of \$0.95 and expiry date of 31 December 2020, vesting 12 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date and (iii) 1,500,000 options with an exercise price of \$1.20 and expiry date of 31 December 2021, vesting 18 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date.

No other matter or circumstance has arisen since 30 June 2017 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:	<p>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.</p> <p>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 Microbials Limited from the Company's inception until the Company was acquired by its parent Phylogica Ltd in an all-scrip merger in 2008.</p> <p>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.</p>
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:	3,250,000 (Unlisted options) subject to shareholder approval

Name:	Tim Goldsmith
Title:	Non-Executive Chairman (Independent Director)
Qualifications:	Bachelor of Commerce from the Polytechnic of North London (now North London University). Member of the Institute of Chartered Accountants Australia and New Zealand.
Experience and expertise:	<p>Tim was previously a partner at global professional services firm PricewaterhouseCoopers (PwC) for over 20 years. Tim held multiple roles during his PwC career and is best known for leading PwC's global mining team with more than 2,000 partners and staff in more than 100 mining countries. During his tenure as Global Mining Leader, Tim was also responsible for PwC's thought leadership on the future of the mining industry and was a well-known presenter at mining conferences around the globe. Tim was an early participator in the China growth story and initiated a China focus in 2002 that lead to PwC's Australia China desk, which is known throughout China today. As National China Desk Leader, Tim worked extremely closely with many state-owned and private Chinese investors and companies to facilitate Chinese foreign investment in Australian mining and other assets.</p>
Length of service:	Director since 24 July 2017
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	358,422
Interests in options:	62,500 (Listed options)
Contractual rights to shares:	3,750,000 (Unlisted options) subject to shareholder approval

# DIRECTORS' REPORT



Name: Terry Walsh  
Title: Non-Executive Director  
Qualifications: Bachelor of Laws from Charles Darwin University and Master of Laws from The University of Sydney  
Experience and expertise: Mr Walsh is a senior commercial lawyer and manager with more than 20 years' experience in project development and general commercial law, including roles as a Corporate Counsel with Rio Tinto Ltd and as General Counsel of Hancock Prospecting Pty Ltd. In these roles he was involved with the legal and commercial aspects associated with the development, funding and operation of major mining and engineering projects. Mr Walsh has provided business development consulting services to the Company since 14 April 2016.  
Length of service: Director since 7 February 2017  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 50,000  
Interests in options: 140,000 (Listed options)  
Contractual rights to shares: 900,000 (Unlisted options) subject to shareholder approval

Name: Danielle Lee  
Title: Non-Executive Director (Independent 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 an experienced corporate lawyer more than 23 years' experience shared between private law firms and the Australian Securities Exchange. She has a broad range of skills and legal experience in the areas of corporate advisory, governance and equity capital markets. She has advised a range of Australian public and private companies in a range of industries on corporate transactions including capital raisings, ASX listings, business and share acquisitions, shareholder agreements and joint venture arrangements.  
Length of service: Director since 16 September 2015  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Chair 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

# DIRECTORS' REPORT



Name:	Andrew Harris
Title:	Non-Executive Director (Independent 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:	<p>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.</p> <p>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.</p> <p>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.</p>
Length of service:	Director since 21 June 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration and Nomination Committee and Member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	1,150,000 (Unlisted options)
Contractual rights to shares:	None

'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. On returning to Perth in 2012, Emma was a Director within Deloitte's financial advisory services division and is currently Company Secretary of numerous unlisted public companies.

Emma Waldon completed a Bachelor of Commerce at UWA, is a member of the Institute of Chartered Accountants of Australia and New Zealand and a Certificated Member of the Governance Institute of Australia.

# DIRECTORS' REPORT



## Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full board		Audit & Risk Committee		Remuneration & Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Geoff Pocock	5	5	-	-	-	-
Rick Hopkins	5	5	1	1	2	2
Bryant McLarty	2	2	-	-	-	-
Danielle Lee	5	5	1	1	1	1
Andrew Harris	5	5	-	-	1	1
Terry Walsh	3	3	1	1	1	1

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 Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. 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 director's 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:

Tim Goldsmith	\$60,000 plus statutory superannuation per annum
Danielle Lee	\$25,000 plus statutory superannuation per annum
Andrew Harris	\$25,000 plus statutory superannuation per annum
Terry Walsh	\$25,000 plus statutory superannuation per annum

Non-executive directors may also receive performance related compensation via options following receipt of shareholder approval. 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. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2017.

## *Use of remuneration consultants*

During the financial year ended 30 June 2017, 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')*

The Company received 87% of "for" votes on its Remuneration Report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

# 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 (resigned 7 February 2017)
- Danielle Lee - Non- Executive Director
- Andrew Harris – Non- Executive Director
- Terry Walsh – Non- Executive Director (appointed 7 February 2017)

Changes since the end of the reporting period:

- Tim Goldsmith – Non-Executive Chairman (appointed 24 July 2017)
- Rick Hopkins – Non- Executive Chairman (resigned 24 July 2017)

	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 \$	
<b>2017</b>							
<i>Non-Executive Directors:</i>							
Rick Hopkins <sup>3</sup>	35,000	-	-	3,325	-	8,192	46,517
Bryant McLarty <sup>1,3,4</sup>	14,583	-	-	792	-	(7,231)	8,144
Danielle Lee	25,000	-	-	2,375	-	5,958	33,333
Andrew Harris	25,000	-	-	2,375	-	271,469	298,844
Terry Walsh <sup>2</sup>	10,167	-	-	966	-	17,183	28,316
<i>Executive Directors:</i>							
Geoff Pocock	240,000	120,000	-	22,800	-	29,789	412,589
	<b>349,750</b>	<b>120,000</b>	<b>-</b>	<b>32,633</b>	<b>-</b>	<b>325,360</b>	<b>827,743</b>

1 Represents remuneration from 1 July 2016 to 7 February 2017

2 Represents remuneration from 7 February 2017 to 30 June 2017

3 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 18.

4 These include the forfeiture of series D options as a result of not meeting the service condition.



# DIRECTORS' REPORT



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 \$	
<i>Non-Executive Directors:</i>							
Rick Hopkins <sup>1</sup>	29,167	-	-	2,771	-	21,375	53,313
Bryant McLarty <sup>2,5</sup>	4,167	-	-	396	-	13,979	18,542
Danielle Lee <sup>1</sup>	20,833	-	-	1,979	-	15,594	38,406
Andrew Harris <sup>3</sup>	2,083	-	-	198	-	-	2,281
<i>Executive Directors:</i>							
Geoff Pocock <sup>4</sup>	140,000	-	-	13,300	-	69,894	223,194
	196,250	-	-	18,644	-	120,842	335,736

<sup>1</sup> Represents remuneration from 1 September 2015 to 30 June 2016

<sup>2</sup> Represents remuneration from 1 May 2015 to 30 June 2016

<sup>3</sup> Represents remuneration from 1 June 2015 to 30 June 2016

<sup>4</sup> Represents remuneration from 1 December 2015 to 30 June 2016

<sup>5</sup> 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 18.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Rick Hopkins	83%	60%	-	-	17%	40%
Bryant McLarty	#	25%	-	-	#	75%
Danielle Lee	83%	59%	-	-	17%	41%
Andrew Harris	10%	100%	-	-	90%	-
Terry Walsh	40%	-	-	-	60%	-
<i>Executive Directors:</i>						
Geoff Pocock	64%	69%	29%	-	7%	31%

# Percentage of relative proportion linked to performance not disclosed as the total amount of LTI remuneration expense was negative for the period.

# DIRECTORS' REPORT



## **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.

Name: Terry Walsh  
Title: Non-Executive Director  
Agreement commenced: 14 March 2016  
Term of agreement: Open  
Details: Consulting agreement with Walsh Consulting (WA) Pty Ltd, a company controlled by Terry Walsh. Compensation: (i) a monthly retainer of \$8,500 plus GST as at 14 March 2016, reduced to \$6,500 plus GST as at 1 January 2017 and increased to \$8,500 plus GST as at 1 July 2017, (ii) 100,000 ordinary shares and (iii) 250,000 Series E Options (\$0.30 exercise price, expiring 31 December 2018) issued upon appointment for no consideration. Working hours: The Consultant to provide the services of Terry Walsh for 18 working hours per week, plus excess travel commitments when required. Agreement to continue until terminated by Walsh Consulting (WA) Pty Ltd on 28 days written notice or on 56 days written notice by Hazer Group Limited.



## 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 F	575,000	1 July 2016	31 December 2016	30 June 2019	\$0.55	\$0.29
Series G	575,000	1 July 2016	31 December 2017	30 June 2020	\$0.75	\$0.30
Total	<u>1,150,000</u>					

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.

In addition, on 7 February 2017 the Company agreed to issue Terry Walsh (i) 450,000 options over ordinary shares with an exercise price of \$0.75 and expiry date of 30 June 2020 vesting 6 months after his appointment as a Director (7 August 2017) and (ii) 450,000 options over ordinary shares with an exercise price of \$0.90 and expiry date of 31 December 2020 vesting 18 months after his appointment as a Director (7 August 2018), subject to shareholder approval which will be sought at the next general meeting of shareholders.

On 24 July 2017, it was announced on the ASX that the following options are proposed to be issued to Tim Goldsmith as a term of his engagement as a Non-Executive Chairman, subject to shareholder approval at the next annual general meeting of the Company (i) 1,000,000 options exercisable at \$0.75 each and expiring 30 June 2020 which vest 6 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date, (ii) 1,250,000 options exercisable at \$0.95 each and expiring 31 December 2020 which vest 12 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date and (iii) 1,500,000 options exercisable at \$1.20 each and expiring 31 December 2021 which vest 18 months after appointment provided the holder has continued to be engaged as a Director and employee of the Company prior to the vesting date.

On 24 July 2017, the following material variation to the Executive Services Agreement of Geoff Pocock (Managing Director) was announced on the ASX, subject to obtaining shareholder approval at the next general meeting of the Company, the Company will issue Geoff Pocock (or his nominee) the following options (i) 750,000 options with an exercise price of \$0.75 and expiry date of 30 June 2020, vesting 6 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date, (ii) 1,000,000 options with an exercise price of \$0.95 and expiry date of 31 December 2020, vesting 12 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date and (iii) 1,500,000 options with an exercise price of \$1.20 and expiry date of 31 December 2021, vesting 18 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date.

# DIRECTORS' REPORT



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 2017 are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Geoff Pocock	-	4,000,000	2,000,000	2,000,000
Rick Hopkins	-	1,300,000	550,000	750,000
Bryant McLarty	-	800,000	-	400,000
Danielle Lee	-	950,000	400,000	550,000
Andrew Harris	1,150,000	-	575,000	-
Terry Walsh	-	-	250,000	-
Total	1,150,000	7,050,000	3,775,000	3,700,000

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 2017 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	-	-	-	-
Rick Hopkins	-	-	-	-
Bryant McLarty	-	-	(7,231)	-
Danielle Lee	-	-	-	-
Andrew Harris	386,558	-	-	93%
Terry Walsh	-	-	-	-
Total	386,558	-	(7,231)	93%

## Additional information

The earnings of the entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenues from ordinary activities	337,785	83,552	6,632	2,596	4,060
Loss after income tax	3,877,507	1,844,358	522,493	166,214	1,045
Net Assets	8,880,690	4,420,770	545,091	69,477	20,741

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year end (\$) <sup>1</sup>	0.49	0.45	n/a	n/a	n/a
Total dividends declared (cents per share)	0.00	0.00	0.00	0.00	0.00
Basic loss per share (cents per share)	5.74	3.57	2.24	1.09	0.01

<sup>1</sup> The company was admitted to the official list of the ASX on 30 November 2015 hence N/A for periods before admission.



## 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
<i>Ordinary shares</i>					
Geoff Pocock	4,200,000	-	-	-	4,200,000
Rick Hopkins	800,010	-	-	-	800,010
Bryant McLarty <sup>1</sup>	2,193,979	-	258,346	-	2,452,325
Danielle Lee	-	-	-	-	-
Andrew Harris	-	-	-	-	-
Terry Walsh <sup>2</sup>	50,000	-	-	-	50,000
	<u>7,243,989</u>	<u>-</u>	<u>258,346</u>	<u>-</u>	<u>7,502,335</u>

<sup>1</sup> Closing balance represents ordinary shares held on resignation (7 February 2017)

<sup>2</sup> Opening balance represents ordinary shares held on appointment (7 February 2017)

### 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
<i>Options over ordinary shares</i>					
Geoff Pocock	8,050,000	-	-	-	8,050,000
Rick Hopkins	1,500,003	-	-	-	1,500,003
Bryant McLarty <sup>1,3</sup>	6,095,995	-	-	(400,000)	5,695,995
Danielle Lee	950,000	-	-	-	950,000
Andrew Harris	-	1,150,000	-	-	1,150,000
Terry Walsh <sup>2,4</sup>	140,000	-	-	-	140,000
	<u>16,735,998</u>	<u>1,150,000</u>	<u>-</u>	<u>(400,000)</u>	<u>17,485,998</u>

<sup>1</sup> Closing balance represents options over ordinary shares held on resignation (7 February 2017)

<sup>2</sup> Opening balance represents options over ordinary shares held on appointment (7 February 2017)

<sup>3</sup> Options lapsed on resignation due to vesting conditions not being met

<sup>4</sup> In addition, on 7 February 2017 the Company agreed to issue Terry Walsh (i) 450,000 options over ordinary shares with an exercise price of \$0.75 and expiry date of 30 June 2020 vesting 6 months after his appointment as a Director (7 August 2017) and (ii) 450,000 options over ordinary shares with an exercise price of \$0.90 and expiry date of 31 December 2020 vesting 18 months after his appointment as a Director (7 August 2018), subject to shareholder approval which will be sought at the next general meeting of shareholders.

# 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 (International) Pty Ltd a company of which Bryant McLarty and Geoff Pocock are directors and shareholders received \$156,000 pursuant to a corporate services agreement to provide office space, internet, telephone, company secretarial and accounting services to the Company.
- Walsh Consulting (WA) Pty Ltd, a company controlled by Terry Walsh received fees totalling \$83,500 pursuant to a consulting agreement to provide the services of Terry Walsh for 18 working hours per week, plus excess travel commitments when required.
- PKF International Pty Ltd, a company of which Rick Hopkins is a partner, received \$7,851 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.***

# DIRECTORS' REPORT



## 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	4,850,000
Series E	2 December 2015	31 December 2018	\$0.30	10,000,000
Listed options	28 April 2016	31 December 2018	\$0.30	15,221,088
Series F	1 July 2016	30 June 2019	\$0.55	575,000
Series G	1 July 2016	30 June 2020	\$0.75	575,000
Series G	22 August 2016	30 June 2020	\$0.75	100,000
Series G	31 October 2016	30 June 2020	\$0.75	600,000
Series F	15 November 2016	30 June 2019	\$0.55	575,000
Series G	15 November 2016	30 June 2020	\$0.75	575,000
Series H	20 March 2017	31 December 2019	\$0.70	4,166,667
Series G	20 March 2017	30 June 2020	\$0.75	350,000
Series J	6 April 2017	31 December 2020	\$0.95	750,000
Series K	6 April 2017	31 December 2021	\$1.20	1,000,000
Series G	13 June 2017	30 June 2020	\$0.75	1,300,000
<b>Total</b>	<b>30 June 2017</b>			<b>57,387,755</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 2017 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	29 July 2016	\$0.30	33,632
28 April 2016	1 September 2016	\$0.30	11,132
28 April 2016	9 November 2016	\$0.30	13,000
28 April 2016	21 March 2017	\$0.30	6,250
28 April 2016	27 April 2017	\$0.30	11,962
28 April 2016	14 June 2017	\$0.30	44,500
Total			120,476

## 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.

# DIRECTORS' REPORT



## **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.

## **Non-audit services**

There were no amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor.

## **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

---

Geoff Pocock  
Managing Director

31 August 2017  
Perth



RSM Australia Partners

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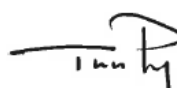
### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hazer Group Limited for the year ended 30 June 2017, 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 2017

# CONTENTS



## Contents

Statement of profit or loss and other comprehensive income  
Statement of financial position  
Statement of changes in equity  
Statement of cash flows  
Notes to the financial statements  
Directors' declaration  
Independent auditor's report to the members of Hazer Group Limited  
Shareholder information

## General information

The financial statements cover Hazer Group Limited as a single entity. 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 2017. The directors have the power to amend and reissue the financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



	Note	2017 \$	2016 \$
<b>Revenue</b>			
Interest received		56,414	59,606
Other income		281,371	23,946
<b>Expenses</b>			
Administration expenses		(951,299)	(712,929)
Consulting and research expenses		(642,946)	(601,992)
Share based payments		(1,210,531)	(149,908)
Finance costs		(1,369)	(181)
Employee benefits expense		(1,409,147)	(462,900)
<b>Loss before income tax expense</b>		<b>(3,877,507)</b>	<b>(1,844,358)</b>
Income tax expense	10	-	-
<b>Loss after income tax expense for the year</b>		<b>(3,877,507)</b>	<b>(1,844,358)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(3,877,507)</b>	<b>(1,844,358)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	22	5.74	3.57
Diluted loss per share	22	5.74	3.57

*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	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	8,144,451	4,677,919
Other current assets	6	95,450	75,768
<b>Total current assets</b>		<u>8,239,901</u>	<u>4,753,687</u>
<b>Non-current assets</b>			
Capitalised development costs (pre-pilot plant)	7	1,081,114	-
<b>Total non-current assets</b>		<u>1,081,114</u>	<u>-</u>
<b>Total assets</b>		<u>9,321,015</u>	<u>4,753,687</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	274,067	114,276
Provisions	9	166,258	218,641
<b>Total current liabilities</b>		<u>440,325</u>	<u>332,917</u>
<b>Total liabilities</b>		<u>440,325</u>	<u>332,917</u>
<b>Net assets</b>		<u>8,880,690</u>	<u>4,420,770</u>
<b>Equity</b>			
Issued capital	11	13,120,578	5,993,682
Reserves	12	2,649,225	1,438,694
Accumulated losses	13	(6,889,113)	(3,011,606)
<b>Total equity</b>		<u>8,880,690</u>	<u>4,420,770</u>

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

# STATEMENT OF CHANGES IN EQUITY



	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>2016</b>				
<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 11)	4,368,737	-	-	4,368,737
Share-based payments (note 21)	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>
	Issued capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
<b>2017</b>				
<b>Balance at 1 July 2016</b>	<b>5,993,682</b>	<b>1,438,694</b>	<b>(3,011,606)</b>	<b>4,420,770</b>
Loss after income tax expense for the year	-	-	(3,877,507)	(3,877,507)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,877,507)	(3,877,507)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	7,126,896	-	-	7,126,896
Share-based payments (note 21)	-	1,210,531	-	1,210,531
<b>Balance at 30 June 2017</b>	<b>13,120,578</b>	<b>2,649,225</b>	<b>(6,889,113)</b>	<b>8,880,690</b>

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

# STATEMENT OF CASH FLOWS



	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		-	-
Payments to suppliers and employees (inclusive of GST)		<u>(2,929,224)</u>	<u>(1,527,891)</u>
		(2,929,224)	(1,527,891)
Interest received		67,030	48,990
Interest and other finance costs paid		(1,369)	(181)
Research and development tax rebate received		<u>281,371</u>	<u>23,945</u>
<b>Net cash used in operating activities</b>	20	<u>(2,582,193)</u>	<u>(1,455,137)</u>
<b>Cash flows from investing activities</b>			
Payments for pre-pilot plant		<u>(1,078,171)</u>	-
<b>Net cash used in investing activities</b>		<u>(1,078,171)</u>	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		7,133,882	6,045,053
Share issue transaction costs		(43,129)	(476,049)
Proceeds from exercise of share options		<u>36,143</u>	<u>1,125</u>
<b>Net cash from financing activities</b>		<u>7,126,896</u>	<u>5,570,129</u>
Net increase in cash and cash equivalents		3,466,532	4,114,992
Cash and cash equivalents at the beginning of the financial year		<u>4,677,919</u>	<u>562,927</u>
<b>Cash and cash equivalents at the end of the financial year</b>	5	<u><u>8,144,451</u></u>	<u><u>4,667,919</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS



## 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 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.

### **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 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.

### *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.

### 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.



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

### 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.

### Research and development

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

#### *Capitalised Development cost (Pre-pilot plant)*

Costs directly attributable to create, produce and prepare the pre-pilot plant to be capable of operating in the manner intended by management are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the pre-pilot plant so that it will be available for use;
- Management intends to complete the pre-pilot plant and use it;
- There is an ability to use the pre-pilot plant;
- It can be demonstrated how the pre-pilot plant will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the pre-pilot plant; and
- The expenditure attributable to the pre-pilot plant during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset will begin when the development is complete and the asset is available for use. It will be amortised over the period of expected future benefit. Amortisation will be recorded in the profit and loss.



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

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### 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 2017. 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.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The entity has made an assessment and determined that this standard will have little to no impact on the entity as it does not have any financial instruments.

#### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The entity has made an assessment and determined that this standard will have little to no impact on the entity as it currently does not earn revenue.



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

### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The entity has made an assessment and determined that this standard will have little to no impact on the entity only had short term leases of 12 months or less for the period ended 30 June 2017.

## 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.

### *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.

### *Capitalised development costs (pre-pilot plant)*

The company capitalises development costs for the pre-pilot plant in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when the project moves from the research phase into the development phase. In determining the amounts to be capitalised, management makes assumptions in relation to what costs relate to the development stage.

### *Impairment of capitalised development costs (pre-pilot plant)*

The company has assessed the capitalised development costs at the reporting date. This requires determining the recoverable amount of the asset either using the fair value less costs of disposal or a value-in-use calculation, which require management to use a number of key estimates and assumptions.

# NOTES TO THE FINANCIAL STATEMENTS



## 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. 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. Financial risk management objectives and policies

The company's principal financial instruments comprise cash and short term deposits.

The company manages its exposure to key financial risks, including interest rate and liquidity risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of its financial targets whilst protecting future financial security.

The company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

### *Interest rate risk*

At reporting date, the entity had \$8,144,451 (2016: \$4,677,919) in cash and cash equivalents exposed to interest rate risk.

The entity's exposure to market interest rates relates primarily to cash and short-term deposits.

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and equity would have been affected as follows:

	Net loss Higher / (lower)		Equity Higher / (lower)	
	2017	2016	2017	2016
	\$	\$	\$	\$
+1% (100 basis points)	(81,444)	(46,779)	81,444	46,779
-1% (100 basis points)	81,444	46,799	(81,444)	(46,799)

The movements are due to higher / lower interest revenue from cash balances.

### *Liquidity Risk*

Liquidity risk is managed through the entity's objective to maintain adequate funding to meet its needs, currently represented by cash and short term deposits sufficient to meet the consolidated entity's current cash requirements.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 4. Financial risk management objectives and policies (Cont'd)

### Capital management

The primary objective of the entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the entity may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2017 and 30 June 2016.

The entity monitors capital with reference to the net debt position. The entity's current policy is to keep the net debt position negative, such that cash and cash equivalents exceeds debt.

## Note 5. Cash and cash equivalents

	2017 \$	2016 \$
Cash at bank	8,094,197	1,177,919
Cash on deposit	50,254	3,500,000
	<u>8,144,451</u>	<u>4,677,919</u>

## Note 6. Other current assets

	2017 \$	2016 \$
Prepayments	-	22,500
GST refundable	87,330	42,652
Other receivables	8,120	-
Accrued interest	-	10,616
	<u>95,450</u>	<u>75,768</u>

## Note 7. Capitalised development costs (Pre-Pilot Plant)

	2017 \$	2016 \$
Capitalised development cost (Pre-Pilot Plant)	1,081,114	-
	<u>1,081,114</u>	<u>-</u>

The pre-pilot plant is a key stage in the development of the Hazer process and the first stage in Hazers transition from laboratory based standard equipment to customer-designed constructed plant. Development costs directly attributable to create, produce and prepare the pre-pilot plant for the purpose intended by management is recognised as an intangible asset when the criteria under AASB 138 are satisfied.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 7. Capitalised development cost (Pre-Pilot plant) (Cont'd)

Capitalised development costs are recognised as an intangible asset and amortised from the point at which the asset is ready for use. Commissioning of the pre-pilot plant occurred subsequent to reporting date (Note 19) on 6 July 2017. Prior to this, the asset was not available for use nor was it in a condition necessary for it to be capable of operating in the manner intended by management. Therefore, no amortisation has been recognised for during the year ended 30 June 2017.

The company performed its annual impairment test as at reporting date. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management have determined that, at reporting date the pre-pilot plant's fair value less costs of disposal was in excess of its carrying value.

## Note 8. Trade and other payables

	2017 \$	2016 \$
Trade payables	61,937	41,478
Other payables	212,130	72,798
	<u>274,067</u>	<u>114,276</u>

## Note 9. Provisions

	2017 \$	2016 \$
Employee benefits	66,258	18,641
Research agreement	100,000	200,000
	<u>166,258</u>	<u>218,641</u>

## Note 10. Income Tax

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

	2017 \$	2016 \$
Prima facie benefit on operating loss at 28.5% (2016: 28.5%)	1,105,089	525,642
Tax losses not brought to account	<u>(1,105,089)</u>	<u>(525,642)</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 \$1,853,182 (2016: \$748,092) 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.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 11. Equity - issued capital

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares	76,550,995	64,540,752	12,973,415	5,845,279
Listed options	15,221,088	15,041,564	147,163	148,403

### Ordinary share capital

#### Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
<b>Balance</b>	1 July 2015	36,192,002		1,582,945
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 <sup>1</sup>	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>Balance</b>				
Issue of shares <sup>1</sup>	29 July 2016	33,632	\$0.30	10,090
Issue of shares <sup>1</sup>	1 September 2016	11,132	\$0.30	3,339
Issue of shares <sup>1</sup>	9 November 2016	13,000	\$0.30	3,900
Issue of shares	20 March 2017	8,333,333	\$0.60	5,000,000
Share issue transaction costs, net of tax	20 March 2017	-		(13,250)
Issue of shares <sup>1</sup>	21 March 2017	6,250	\$0.30	1,875
Issue of shares	27 April 2017	3,556,434	\$0.60	2,133,882
Share issue transaction costs, net of tax	27 April 2017	-		(29,879)
Issue of shares <sup>1</sup>	27 April 2017	11,962	\$0.30	3,589
Issue of shares <sup>1</sup>	14 June 2017	44,500	\$0.30	13,350
Transfer from listed options <sup>1</sup>	30 June 2017	-	\$0.01	1,240
<b>Balance</b>	<b>30 June 2017</b>	<b>76,550,995</b>		<b>12,973,415</b>



# NOTES TO THE FINANCIAL STATEMENTS



## Note 11. Equity - issued capital (Cont'd)

### Listed options

#### Movements in listed options

<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)
<b>Balance</b>	<b>30 June 2016</b>	<b>15,041,564</b>		<b>148,403</b>
<b>Balance</b>				
Issue of shares	29 July 2016	(33,362)		-
Issue of shares	1 September 2016	(11,132)		-
Issue of shares	9 November 2016	(13,000)		-
Quotation of unlisted Series E options	9 November 2016	300,000		-
Issue of shares	21 March 2017	(6,250)		-
Issue of shares	27 April 2017	(11,962)		-
Issue of shares	14 June 2017	(44,500)		-
Transfer to ordinary shares <sup>1</sup>	30 June 2017	-	\$0.01	(1,240)
<b>Balance</b>	<b>30 June 2017</b>	<b>15,221,088</b>		<b>147,163</b>
<b>Total issued capital</b>	<b>30 June 2017</b>			<b>13,120,578</b>

<sup>1</sup> Relate to the issue of shares upon the exercise of listed options.

#### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 12. Equity - reserves

	2017 \$	2016 \$
Option reserve	2,649,225	1,438,694
	<u>2,649,225</u>	<u>1,438,694</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 30 June 2016</b>	32,300,000	1,438,694
1 July 2016		
Options issued during the year vesting over multiple periods	10,566,667	1,145,973
Previously issued options vesting over multiple periods	-	71,789
Existing options quoted as listed options during the year	(300,000)	-
Forfeiture	(400,000)	(7,231)
<b>Balance at 30 June 2017</b>	<u>42,166,667</u>	<u>2,649,225</u>

## Note 13. Equity – accumulated losses

	2017 \$	2016 \$
Accumulated losses at the beginning of the financial year	3,011,606	1,167,248
Loss after income tax expense for the year	3,877,507	1,844,358
Accumulated losses at the end of the financial year	<u>6,889,113</u>	<u>3,011,606</u>

## Note 14. Key management personnel disclosures

### Compensation

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

	2017 \$	2016 \$
Short-term employee benefits	469,750	196,250
Post-employment benefits	32,633	18,644
Long-term benefits	-	-
Share-based payments	325,360	120,842
	<u>827,743</u>	<u>335,736</u>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 15. 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:

	2017 \$	2016 \$
<i>Audit services</i>		
Audit or review of the financial statements	37,500	39,000

## Note 16. Contingent assets and liabilities

The company does not have any contingent assets or contingent liabilities at 30 June 2017.

## Note 17. Commitments

	2017 \$	2016 \$
<i>Corporate services – including lease of Perth office space, company and secretarial services, lease of office space and warehouse space in Sydney and lease of equipment committed at the reporting date but not recognised as liabilities, payable:</i>		
Within one year	64,457	13,000
Total	64,457	13,000

## Note 18. Related party transactions

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 14 and the remuneration report in the directors' report.

### *Transactions with related parties*

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

- Mac Equity Partners (International) Pty Ltd a company of which Bryant McLarty and Geoff Pocock are directors and shareholders received \$156,000 pursuant to a corporate services agreement to provide office space, internet, telephone, company secretarial and accounting services to the Company.
- Walsh Consulting (WA) Pty Ltd, a company controlled by Terry Walsh received fees totalling \$83,500 pursuant to a consulting agreement to provide the services of Terry Walsh for 18 working hours per week, plus excess travel commitments when required.
- PKF International Pty Ltd, a company of which Rick Hopkins is a partner, received \$7,851 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 \$6,417 owing to PKF International Pty Ltd at 30 June 2017 which related to Director fees for Rick Hopkins. There was \$12,777 owing to PKF International Pty Ltd at 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 19. Events after the reporting period

On 6 July 2017, it was announced that the company had successfully commissioned its pre-pilot plant located in St Mary's in Western Sydney. This marked a significant inflection point in Hazer's development trajectory with the pre-pilot plant now ready to commence the operational experimentation phase. The commissioning demonstrated the potential operation of the Hazer process beyond laboratory based equipment and brings Hazer closer to its goal of supplying global markets with economically competitive, clean hydrogen and synthetic graphite.

On 24 July 2017, Tim Goldsmith was appointed as Non-Executive Chairman and Rick Hopkins resigned as Non-Executive Chairman.

On 24 July 2017, it was announced on the ASX that a Chairman's fee of \$60,000 per annum and the following options are proposed to be issued to Tim Goldsmith as a term of his engagement as a Non-Executive Chairman, subject to shareholder approval at the next annual general meeting of the Company (i) 1,000,000 options exercisable at \$0.75 each and expiring 30 June 2020 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, (ii) 1,250,000 options exercisable at \$0.95 each and expiring 31 December 2020 which vest 12 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 (iii) 1,500,000 options exercisable at \$1.20 each and expiring 31 December 2021 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.

## Note 19. Events after the reporting period (Cont'd)

On 24 July 2017, the following material variations to the Executive Services Agreement of Geoff Pocock (Managing Director) were announced on the ASX, (a) pay a cash bonus of \$120,000 as satisfaction of any discretionary bonus entitlement up to 31 December 2016; and (b) subject to obtaining shareholder approval at the next general meeting of the Company, the Company will issue Geoff Pocock (or his nominee) the following options (i) 750,000 options with an exercise price of \$0.75 and expiry date of 30 June 2020, vesting 6 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date, (ii) 1,000,000 options with an exercise price of \$0.95 and expiry date of 31 December 2020, vesting 12 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date and (iii) 1,500,000 options with an exercise price of \$1.20 and expiry date of 31 December 2021, vesting 18 months from the date of the announcement provided that the holder has continued to be engaged as a Director and employee of the Company prior to and at the vesting date.

No other matter or circumstance has arisen since 30 June 2017 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.

## Note 20. Reconciliation of profit after income tax to net cash from operating activities

	2017 \$	2016 \$
Loss after income tax expense for the year	(3,877,507)	(1,844,358)
Adjustments for:		
Share-based payments	1,210,531	149,908
Change in operating assets and liabilities:		
- trade and other receivables	(19,682)	(47,380)
- trade and other payables	156,848	68,052
- employee benefits	47,617	18,641
- other provisions	(100,000)	200,000
Net cash used in operating activities	<u>(2,582,193)</u>	<u>(1,455,137)</u>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 21. Share based payments

### For the year ended 30 June 2017:

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

2017							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised/ Quoted as Listed options	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	-	-	(400,000)	4,850,000
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) <sup>1</sup>	-	-
01/07/2016	31/12/2016	\$0.55	-	575,000	-	-	575,000
01/07/2016	31/12/2017	\$0.75	-	575,000	-	-	575,000
22/8/2016	22/02/2017	\$0.75	-	100,000	-	-	100,000
31/10/2016	01/05/2017	\$0.75	-	600,000	-	-	600,000
15/11/2016	15/05/2017	\$0.55	-	575,000	-	-	575,000
15/11/2016	15/05/2018	\$0.75	-	575,000	-	-	575,000
20/03/2017	31/12/2019	\$0.75	-	350,000	-	-	350,000
06/04/2017	31/12/2020	\$0.95	-	750,000	-	-	750,000
06/04/2017	31/12/2021	\$1.20	-	1,000,000	-	-	1,000,000
13/06/2017	31/12/2020	\$0.75	-	1,300,000	-	-	1,300,000
			<u>32,300,000</u>	<u>6,400,000</u>	<u>(300,000)</u>	<u>(400,000)</u>	<u>38,000,000</u>
Weighted average exercise price			\$0.25	\$0.81	\$0.30	\$0.40	\$0.50

<sup>1</sup> 300,000 unlisted options were quoted as listed options during the period.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 21. Share based payments (Cont.)

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

Option series	Grant date	Expiry date	2017 Number	2016 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	500,000
Series C	16/09/2015	31/12/2018	5,250,000	5,250,000
Series D	16/09/2015	31/12/2019	4,850,000	-
Series E	25/11/2015	31/12/2018	10,000,000	10,000,000
Series E	14/03/2016	31/12/2018	300,000	-
Series F-1	01/06/2017	30/06/2019	575,000	-
Series F-2	15/11/2016	30/06/2019	575,000	-
Series G-2	22/08/2016	30/06/2020	100,000	-
Series G-4	31/10/2016	30/06/2020	600,000	-
Series H	20/03/2017	30/06/2019	4,166,667	-
Series G-5	20/03/2017	30/06/2020	350,000	-
			<u>38,266,667</u>	<u>26,750,000</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.

# NOTES TO THE FINANCIAL STATEMENTS



## Note 21. Share based payments (cont)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.23 years (2016: 2.31 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
1-Jul-16	30-Jun-19	0.48	0.55	100.00%	0.00%	1.52%	0.29
1-Jul-16	30-Jun-20	0.48	0.75	100.00%	0.00%	1.52%	0.30
22-Aug-16	30-Jun-20	0.67	0.75	100.00%	0.00%	1.42%	0.45
31-Oct-16	30-Jun-20	0.50	0.75	100.00%	0.00%	1.70%	0.30
15-Nov-16	30-Jun-19	0.56	0.55	100.00%	0.00%	1.77%	0.33
15-Nov-16	30-Jun-20	0.56	0.75	100.00%	0.00%	1.84%	0.34
20-Mar-17	30-Jun-20	0.64	0.75	100.00%	0.00%	1.96%	0.40
6-Apr-17	31-Dec-20	0.65	0.95	100.00%	0.00%	1.85%	0.40
6-Apr-17	31-Dec-21	0.65	1.20	100.00%	0.00%	1.82%	0.42
13-Jun-17	30-Jun-20	0.49	0.75	100.00%	0.00%	1.73%	0.27

### Expenses arising from share based payment transactions

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

	2017 \$	2016 \$
Options issued to KMP	332,591	120,842
Options issued to employees/consultants	885,171	1,156,099
Shares issued to employees/consultants	-	42,000
Less:		
Forfeiture – options granted to KMP	(7,231)	-
Options issued as part of capital raising	-	(1,169,033)
<b>Total</b>	<b>1,210,531</b>	<b>149,908</b>

# NOTES TO THE FINANCIAL STATEMENTS



## Note 22. Earnings per share

	2017 \$	2016 \$
Loss after income tax	3,877,507	1,844,358
Non-controlling interest	-	-
Loss after income tax attributable to the owners of Hazer Group Limited	<u>3,877,507</u>	<u>1,844,358</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	67,524,529	51,633,810
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>57,387,755</u>	<u>32,300,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>124,912,284</u>	<u>83,933,810</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	5.74	3.57
Diluted loss per share	5.74	3.57



# 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 2017 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

---

Geoff Pocock  
Managing Director

31 August 2017  
Perth

RSM Australia Partners

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

**Opinion**

We have audited the financial report of Hazer Group Limited (the Company) which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

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

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

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

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<b>Intangible assets - Capitalised development costs</b> Refer to note 7 in the financial statements	
<p>During the year, in accordance with AASB 138, the Company capitalised development costs in relation to their pre-pilot plant. The amount of the capitalised development costs at the reporting date was \$1,081,114. Management have concluded that at the reporting date, the pre-pilot plant had not reached practical completion.</p> <p>We have determined this to be a key audit matter as significant judgements are required to determine the appropriate carrying value of the development costs at the reporting date. In particular, the Company is required to;</p> <ul style="list-style-type: none"> <li>• demonstrate that the costs incurred in the construction of the pre-pilot plant are development costs in accordance with AASB 138; and</li> <li>• in accordance with AASB 136, the amount capitalised is required to be tested for impairment as the pre-pilot plant was not yet available for use at the reporting date.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing the Company's accounting policy in relation to the capitalisation of development costs to ensure it is in accordance with Accounting Standards;</li> <li>• Obtaining a detailed understanding of the project;</li> <li>• Agreeing a sample of additions to capitalised development costs during the year to supporting documentation and ensuring that the amounts were directly attributable and necessary to create, produce and prepare the pre-pilot plant to be capable of operating in the manner intended by management;</li> <li>• Confirming with management that at the reporting date, the pre-pilot plant was not yet available for use;</li> <li>• Challenging the reasonableness of key assumptions included in management's annual impairment test; and</li> <li>• Assessing the appropriateness of the Company's disclosures in the financial report.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

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## Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2017.

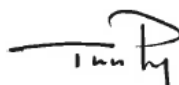
In our opinion, the Remuneration Report of Hazer Group Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

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



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 31 August 2017

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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 4 August 2017

### **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	54,047,328	118
10,001 to 100,000	18,842,248	550
5,001 to 10,000	2,319,301	278
1,001 to 5,000	1,282,976	442
1 to 1,000	59,142	146
	<hr/>	
	76,550,995	1,534
	<hr/>	
Holding less than a marketable parcel	-	-
	<hr/>	
	<b>Number of listed options</b>	<b>Number of holders of listed options</b>
100,001 and over	7,058,499	30
10,001 to 100,000	7,142,078	192
5,001 to 10,000	498,891	64
1,001 to 5,000	474,982	170
1 to 1,000	46,638	66
	<hr/>	
	15,221,088	522
	<hr/>	
Holding less than a marketable parcel	130,170	117
	<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
MINERAL RESOURCES LIMITED	10,333,333	13.50
OOFY PROSSER PTY LTD <DRONES FAMILY>	3,700,000	4.83
POINT AT INFINITY PTY LTD <CORNEJO FAMILY>	3,548,583	4.64
THE UNIVERSITY OF WESTERN AUSTRALIA	1,516,567	1.98
MR BRYANT JAMES MCLARTY <THE MCLARTY FAMILY>	1,350,000	1.76
MR PAUL HARTLEY WATTS	1,190,000	1.55
JAKANA PTY LTD	1,175,000	1.53
KINETIC TRADE PTY LTD	1,100,000	1.44
MR NICHOLAS STUART BEATON DUNCAN	1,083,731	1.42
MR JASON PAUL SKINNER	808,744	1.06
MR JOHN OAKLEY CLINTON & MRS LILIAN ACHIENG CLINTON	724,178	0.95
CITICORP NOMINEES PTY LIMITED	670,516	0.88
MR PETER HOWELLS	625,000	0.82
MRS CLAIRE ELIZABETH ALLEN	615,000	0.80
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	575,000	0.75
TILPA PTY LTD	541,902	0.71
SPRINGBOK CAPITAL PTY LTD	540,000	0.71
CL SEWARD & CO PROPRIETARY LTD	540,000	0.71
BOND STREET CUSTODIANS LIMITED	533,351	0.70
GRANT STREET PTY LTD	500,000	0.65
	<b>31,670,905</b>	<b>41.37</b>

	Listed options	
	Number held	% of total shares issued
POINT AT INFINITY PTY LTD	937,146	6.16
OOFY PROSSER PTY LTD	925,000	6.08
MINERAL RESOURCES LIMITED	500,000	3.28
MR BRYANT JAMES MCLARTY	337,500	2.22
MR MICHAEL JAMES BROWNE & MRS ANGELA MARGARET BROWNE	303,000	1.99
MRS JENNIFER LOUISE WILLIAMS	300,000	1.97
KINETIC TRADE PTY LTD	268,750	1.77
MRS CARLY ELIZABETH WILLIAMS	265,706	1.75
MR JOHN OAKLEY CLINTON	235,455	1.55
MR MICHAEL PETER DAVID JOBLIN	210,000	1.38
JAKANA PTY LTD	203,750	1.34
MR GLENN HUTTON	187,500	1.23
MR COLIN ALISTER ROGER JOBLIN	187,190	1.23
MR ANDREW JOHN STANBURY	171,155	1.12
MR PETER HOWELLS	162,500	1.07
MRS JOANNE ROSEMARY LLOYD	150,000	0.99
MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOOSEMORE	150,000	0.99
MR TERENCE WILLIAM JOSEPH WALSH	140,000	0.92
DARYA PTY LTD	138,750	0.91
5150 CAPITAL PTY LTD	125,000	0.82
	<b>5,898,402</b>	<b>38.75</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	4,850,000	5
Options over ordinary shares – Series E	10,000,000	7
Options over ordinary shares – Series F	1,150,000	2
Options over ordinary shares – Series G	3,500,000	19
Options over ordinary shares – Series H	4,166,667	1
Options over ordinary shares – Series J	750,000	1
Options over ordinary shares – Series K	1,000,000	1
Total	<u>42,166,667</u>	

Mineral Resources Limited holds 4,166,667 Series H options. The remaining unquoted equity securities were issued under an employee incentive scheme.

## 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	5.49
Mineral Resources Limited	10,333,333	13.50

## 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.