

Hazer Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Hazer Group Limited
ABN: 40 144 044 600
Reporting period: For the half-year ended 31 December 2017
Previous period: For the half-year ended 31 December 2016

2. Results for announcement to the market

					\$
Revenues from ordinary activities	down	40%	to		22,807
Loss for the period	up	395%	to		8,345,372
Loss to the owners of Hazer Group Limited	up	395%	to		8,345,372

Dividends

No dividends were paid in the period.

Comments

The loss for the company amounted to \$8,345,372 (31 December 2016: \$1,686,983).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>10.33</u>	<u>4.92</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.

Hazer Group Limited
Appendix 4D
Half-year report

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

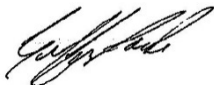
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Hazer Group Limited for the half-year ended 31 December 2017 is attached.

9. Signed



Signed _____

Date: 28 February 2018

Geoff Pocock
Director
Perth

For persons only

Hazer Group Limited

ABN 40 144 044 600

Interim Report - 31 December 2017

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Hazer Group Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, of Hazer Group Limited (referred to hereafter as the 'company') at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Tim Goldsmith (appointed 24 July 2017)
Geoff Pocock
Danielle Lee
Andrew Harris
Terence Walsh

Principal activities

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

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

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

Review of operations

The loss for the company amounted to \$8,345,372 (31 December 2016: \$1,686,983).

Losses after income tax increased by 395% on the prior half-year as the Company increased research and development activities to commercialise the Hazer Process and incurred higher non-cash expenditure. Non-cash expenses in the half-year increased by 1302% to \$5,988,965 (31 December 2016: \$427,017) due to the commencement of amortisation of the pre-pilot during the half-year and share based payments. Share based payments during the half-year include a \$3,672,579 expense for the issue of 11,500,000 Series B Options upon exercise of the Series A Options. The Series A Options, issued prior to the Company's listing on the Australian Securities Exchange, were primary Options which upon exercise resulted in the issue of one ordinary share and one Series B Option (a secondary Option).

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. In December 2017, the Company was pleased to execute a binding Co-operation Agreement with Mineral Resources Limited (ASX:MIN) to jointly develop a large-scale commercial synthetic graphite facility, initially targeted towards the production of at least 1,000 tonnes per annum (tpa) of ultra-high purity graphite and capable of modular expansion to a nominal 10,000tpa.

The Company's cash and cash equivalents were \$8,319,797 at 31 December 2017 (30 June 2017: \$8,144,451) and net assets at 31 December 2017 were \$9,102,788 (30 June 2017: \$8,880,690).

The operating cash outflow for the half-year increased by 85% to \$2,473,445 (31 December 2017: \$1,337,221) largely as a result of increased research and development activities. Investing cash outflows of \$220,545 (31 December 2016: \$308,717) related to parts and engineering services associated with the initial construction and further optimisation of a pre-pilot plant facility. Financing cash inflows increased to \$2,869,336 (31 December 2016: \$17,328) largely as a result of the exercise of 11,500,000 Series A Options (\$0.25 exercise price) which raised \$2,875,000 before share issue costs.

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.

**Hazer Group Limited
Directors' report
31 December 2017**

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 1 February 2018, 106,250 ordinary shares were issued on the exercise of 100,000 Series E unlisted options with an exercise price of \$0.30 each and 6,250 listed options (ASX code: HZRO) with an exercise price of \$0.30 each, generating total proceeds of \$31,875.

On 5 February 2018, 100,000 ordinary shares were issued on the exercise of 100,000 Series E unlisted options with an exercise price of \$0.30 each generating proceeds of \$30,000.

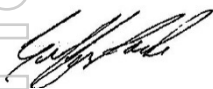
No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial periods.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Geoff Pocock
Director

28 February 2018
Perth

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hazer Group Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2018

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Hazer Group Limited
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31 December 2017

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General information

The financial statements cover Hazer Group Limited. 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

2/29 The Avenue
Nedlands WA 6009

Principal place of business

2/29 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 28 February 2018.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue			
Interest received		22,807	38,160
Expenses			
Administration expenses		(629,261)	(453,513)
Consulting and research expenses		(788,596)	(319,150)
Employee benefits expenses		(960,729)	(524,641)
Share based payments		(5,698,134)	(427,017)
Finance costs		(628)	(822)
Amortisation expense		(290,831)	-
Loss before income tax expense		(8,345,372)	(1,686,983)
Income tax expense		-	-
Loss after income tax expense for the half-year		(8,345,372)	(1,686,983)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		<u>(8,345,372)</u>	<u>(1,686,983)</u>
		Cents	Cents
Basic and diluted losses per share		(10.88)	(2.61)

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

Hazer Group Limited
Statement of financial position
As at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
Assets			
Current assets			
Cash and cash equivalents		8,319,797	8,144,451
Other current assets		190,438	95,450
Total current assets		<u>8,510,235</u>	<u>8,239,901</u>
Non-current assets			
Pre-pilot plant		1,010,828	1,081,114
Total non-current assets		<u>1,010,828</u>	<u>1,081,114</u>
Total assets		<u>9,521,063</u>	<u>9,321,015</u>
Liabilities			
Current liabilities			
Trade and other payables		242,627	274,067
Provisions		175,648	166,258
Total current liabilities		<u>418,275</u>	<u>440,325</u>
Total liabilities		<u>418,275</u>	<u>440,325</u>
Net assets		<u>9,102,788</u>	<u>8,880,690</u>
Equity			
Issued capital	2	15,989,914	13,120,578
Reserves	3	8,347,359	2,649,225
Accumulated losses	4	(15,234,485)	(6,889,113)
Total equity		<u>9,102,788</u>	<u>8,880,690</u>

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

Hazer Group Limited
Statement of changes in equity
For the half-year ended 31 December 2017

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	5,993,682	1,438,694	(3,011,606)	4,420,770
Loss after income tax expense for the half-year	-	-	(1,686,983)	(1,686,983)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,686,983)	(1,686,983)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	17,328	-	-	17,328
Share-based payments	-	427,017	-	427,017
Balance at 31 December 2016	<u>6,011,010</u>	<u>1,865,711</u>	<u>(4,698,589)</u>	<u>3,178,132</u>
Balance at 1 July 2017	13,120,578	2,649,225	(6,889,113)	8,880,690
Loss after income tax expense for the half-year	-	-	(8,345,372)	(8,345,372)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(8,345,372)	(8,345,372)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,869,336	-	-	2,869,336
Share-based payments	-	5,698,134	-	5,698,134
Balance at 31 December 2017	<u>15,989,914</u>	<u>8,347,359</u>	<u>(15,234,485)</u>	<u>9,102,788</u>

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

Hazer Group Limited
Statement of cash flows
For the half-year ended 31 December 2017

	Note	31 Dec 2017	31 Dec 2016
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,495,624)	(1,380,490)
Interest received		22,807	44,091
Interest and other finance costs paid		(628)	(822)
		<u>(2,473,445)</u>	<u>(1,337,221)</u>
Net cash (used in) operating activities			
Cash flows from investing activities			
Payments for pre-pilot plant		(220,545)	(308,717)
		<u>(220,545)</u>	<u>(308,717)</u>
Net cash (used in) investing activities			
Cash flows from financing activities			
Proceeds from exercise of share options, net of share issue costs		2,869,336	17,328
		<u>2,869,336</u>	<u>17,328</u>
Net cash provided by financing activities			
		175,346	(1,628,610)
Net increase/(decrease) in cash and cash equivalents		<u>175,346</u>	<u>(1,628,610)</u>
Cash and cash equivalents at the beginning of the financial half-year		8,144,451	4,677,919
		<u>8,319,797</u>	<u>3,049,309</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>8,319,797</u></u>	<u><u>3,049,309</u></u>

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

Hazer Group Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the company's accounting policies.

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

Note 2. Equity - issued capital

	31 Dec 2017 Shares	30 Jun 2017 Shares	31 Dec 2017 \$	30 Jun 2017 \$
Ordinary shares - fully paid	88,095,995	76,550,995	15,843,201	12,973,415
Listed options	15,176,088	15,221,088	146,713	147,163

Movements in ordinary shares

	No of shares	Issue price	\$
Opening balance 1 July 2017	76,550,995		12,973,415
Issue of shares on exercise of options, 31 October 2017	5,000	\$0.30	1,500
Issue of shares on exercise of options, 8 December 2017	40,000	\$0.30	12,000
Issue of shares on exercise of options, 29 December 2017	11,500,000	\$0.25	2,875,000
Share issue transaction costs, net of tax	-		(19,164)
Transfer from listed options ¹	-	\$0.01	450
Closing balance 31 December 2017	<u>88,095,995</u>		<u>15,843,201</u>

Movements in listed options

Opening balance 1 July 2017	15,221,088		147,163
Exercise of options, 31 October 2017	(5,000)		-
Exercise of options, 8 December 2017	(40,000)		-
Transfer to ordinary shares ¹	-	\$0.01	(450)
Balance 31 December 2017	<u>15,176,088</u>		<u>146,713</u>

Total issued capital 31 December 2017

15,989,914

¹ Relate to the issue of shares upon the exercise of the listed options.

Hazer Group Limited
Notes to the financial statements
31 December 2017

31 Dec 2017 **30 Jun 2017**
\$ **\$**

Note 3. Equity - reserves

Option reserve	8,347,359	2,649,225
	<u>8,347,359</u>	<u>2,649,225</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 \$
Balance at 1 July 2017	42,166,667	2,649,225
<i>New options issued during the half-year vesting over multiple periods</i>		
Series G	3,500,000	1,093,527
Series I	450,000	56,233
Series J	3,000,000	447,882
Series K	4,000,000	427,913
Series B	11,500,000	3,672,579
<i>Options exercised during the period</i>		
Series A	<u>(11,500,000)</u>	<u> </u>
Balance at 31 December 2017	<u>53,116,667</u>	<u>8,347,359</u>

The value of the options issued and vesting over multiple periods and expensed to the statement of profit or loss and other comprehensive income is \$5,698,134.

31 Dec 2017 **30 Jun 2017**
\$ **\$**

Note 4. Equity – Accumulated losses

Accumulated losses at the beginning of the financial year	6,889,113	3,011,606
Loss after income tax expense for the year	<u>8,345,372</u>	<u>3,877,507</u>
Accumulated losses at the end of the financial year	<u>15,234,485</u>	<u>6,889,113</u>

Note 5. Contingent liabilities

The company does not have any contingent liabilities at 31 December 2017.

Note 6. Events after the reporting period

On 1 February 2018, 106,250 ordinary shares were issued on the exercise of 100,000 Series E unlisted options with an exercise price of \$0.30 each and 6,250 listed options (ASX code: HZRO) with an exercise price of \$0.30 each, generating total proceeds of \$31,875.

On 5 February 2018, 100,000 ordinary shares were issued on the exercise of 100,000 Series E unlisted options with an exercise price of \$0.30 each generating proceeds of \$30,000.

No other matter or circumstance has arisen since 31 December 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.

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Hazer Group Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Geoff Pocock
Director

28 February 2018
Perth

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

We have reviewed the accompanying half-year financial report of Hazer Group Limited, which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hazer Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

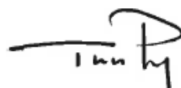
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hazer Group Limited, would be in the same terms if given to the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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hazer Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2018

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