

APPENDIX 4C – 31 DECEMBER 2018 QUARTERLY CASHFLOW REPORT

Highlights:

- *\$2.45m in total raised from exercise of options in FY19. Company is well funded to execute its 2019 strategic objectives and planned activities.*
- *Initial Front-End Engineering and Design study for a small-scale Commercial Demonstration Project have been completed. Initial results have provided sufficient confidence to progress discussions with potential hydrogen off-takers, feedstock suppliers and funding partners of a Commercial Demonstration Plant.*
- *Subsequent to the end of the quarter, a Concept Study for a commercial scale Hazer Plant has been completed.*
- *Hazer Fluidised Bed Reactor (FBR) Pilot Plant relocated to Kwinana, Western Australia to be co-located with the Mineral Resources Project.*
- *Ongoing technical and operational support provided to the Paddle Tube Reactor (PTR) Pilot Plant Project being constructed by our strategic partner Mineral Resources Limited (ASX: MIN).*
- *The Company also lodged its FY18 R&D tax return and anticipates receiving a cash rebate of c\$1.5m (net of costs) during the current quarter*

PERTH, AUSTRALIA; 31 JANUARY 2019: Hazer Group Ltd (“Hazer” or “the Company”) (ASX:HZR) lodges the attached Appendix 4C Quarterly Cashflow Report for the 6 month period ended 31 December 2018.

Activities update

As set out in our recent updates to shareholders, the team has had a very productive last 6 months with respect to operations of the Hazer Fluidised Bed Reactor (FBR) Pilot Plant, and in developing our Front-End Engineering and Design (FEED) studies for an initial Commercial Demonstration Project (CDP) and an initial Concept Study for a commercial scale Hazer Plant.

Progress on these engineering studies is very positive. On the CDP FEED Study, initial reports have been completed and these studies are now being further developed to incorporate improvements identified from the most recent pilot plant trials and to expand the scope to allow the use of biogas as a feedstock and to provide for compression and storage of hydrogen product. We still expect to complete the CDP FEED Study in the first quarter of 2019. For the CDP we are targeting a plant with capacity of approximately 100 tpa of hydrogen and approximately 250 - 375 tpa of graphite, with a target capital cost of ~\$10 million.

Securing a Commercial Demonstration Plant will be a material achievement for Hazer and it remains our primary focus through the first half of 2019. Discussions with potential offtake partners, feedstock (biogas or natural gas) suppliers and funding partners are ongoing and will be ramped up as we complete the FEED Study.

During Q4 2018 Hazer has also progressed an initial Concept Study for a commercial scale Hazer Plant with external engineering firm GLP Engineers. This study has identified a robust and practical design for an efficient plant of 2,500 tpa hydrogen capacity (approximately 8,750 tpa graphite). The plant has a small

efficient footprint requiring minimal space ([approximately 40 x 40 m]) and will include on-site electricity generation for process heating. Based on early capex estimates (+/- 50% level) we anticipate such a plant could be constructed for ~\$30 - \$35 million depending on feedstock and location requirements. We will continue to optimise the plant design as we progress with delivering the CDP and are progressing more detailed design studies for the reactor component, the core part of our Hazer technology. We remain very positive about progress on these studies.

Our collaboration with Mineral Resources is continuing to progress well with good alignment between the companies. We are working collaboratively to engage with potential customers for graphite produced from the Hazer Process and to ensure that the graphite focussed PTR Pilot Project under construction at Kwinana is a success.

The Hazer FBR Pilot Plant was re-located to the Mineral Resources site in Kwinana, Western Australian during the quarter which has allowed improved efficiencies and collaborative working. The FBR Pilot Plant is anticipated to be re-commissioned in February 2019. We have identified a program of additional pilot testing to be carried out through March and April, the results of which will be used to support the ongoing CDP and commercial Hazer Plant development studies.

Mineral Resources have advised Hazer that they anticipate completing construction and commissioning of the PTR Pilot Plant in Q1 2019 with late receipt of materials from an international supplier delaying their original schedule. Our team are working closely with Mineral Resources staff to finalise commissioning plans and develop the testing program for the PTR Pilot Plant. We look forward to seeing the results of this pilot over the coming quarters and continuing to work closely with Mineral Resources.

Our key focus areas in 2019 will be on supporting Mineral Resources with the commissioning and operation of the pilot plant; delivery and analysis of successful pilot results and securing agreement to progress to Stage 2 of our strategic partnership. Under Stage 2, Mineral Resources will design, construct and own an initial small-scale graphite plant, based on the Hazer process, with this plant to be expanded in Stage 3, once sufficient sales volumes are achieved. As we progress in 2019, Mineral Resources and Hazer will agree the full commercial terms for the licence agreement to use the Hazer Process, including details of the proposed royalty agreement, necessary to support Stage 2 and 3 of our Collaboration Agreement.

Cashflow commentary

The Company increased its cash reserves during the quarter through the exercise of options. The Company had cash of \$5.760m as at 31 December 2018, increasing to \$6.558m on a proforma basis including \$0.898m of listed option exercise proceeds held in a share registry trust account as at 31 December 2018 and paid to the Company in early January 2019.

Net operating cash outflows of \$1.039m for the quarter were broadly consistent with the prior quarter (Q1 FY19: \$0.929m). The current staff and overhead base has been right sized to drive the strategic objectives and activities planned for 2019. Direct R&D expenditure in the quarter included the FEED study and capex and operating costs for the final test runs of the Hazer FBR Pilot Plant and costs associated with its relocation to Perth.

Net operating cash outflows in the quarter were more than offset by net investing cashflows of \$1.406m from the exercise of options. As noted above, an additional \$0.898m of option exercise proceeds held in trust were received in January 2019. The Company was pleased to raise a total of \$2.45m from the exercise of its unlisted Series C Options and listed options which expired on 31 December 2018.

The Company also lodged its FY18 R&D tax return and anticipates receiving a cash rebate of c\$1.5m (net of costs) during the current quarter.

With cash of c\$8.0m post the anticipated FY18 R&D tax rebate, the Company is well funded to execute its 2019 strategic objectives and planned activities.

[ENDS]

Forward Looking Statements

This announcement may contain certain “forward looking statements” which may not have been based solely on historical facts, but rather are based on the Company’s current expectations about future events and results.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially to futures results expressed, projected or implied by such forward looking statements.

The Company does not undertake any obligation to release publicly any revisions to any “forward looking statements” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under the applicable securities laws.

ABOUT HAZER GROUP LTD

Hazer Group Limited (“Hazer” or “The Company”) is an ASX-listed technology development company undertaking the commercialisation of the Hazer Process, a low-emission hydrogen and graphite production process. The Hazer Process enables the effective conversion of natural gas and similar methane feedstocks, into hydrogen and high quality graphite, using iron ore as a process catalyst.

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Hazer Group Limited - Social Media Policy

Hazer Group Limited is committed to communicating with the investment community through all available channels. Whilst ASX remains the prime channel for market sensitive news, investors and other interested parties are encouraged to follow Hazer on Twitter (@hazergroupltd), LinkedIn, Google+ and Youtube.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

HAZER GROUP LIMITED

ABN

40 144 044 600

Quarter ended ("current quarter")

31 DECEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(128)	(323)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(533)	(1,022)
(f) administration and corporate costs	(377)	(678)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	14
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
- R&D tax rebate		
1.8 Other (provide details if material)		
- Net GST received / (paid)	(8)	41
1.9 Net cash from / (used in) operating activities	(1,039)	(1,968)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	0	0

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds/(refund) from exercise of share options	1,416	1,553
3.4 Transaction costs related to issues of shares, convertible notes or options	(10)	(10)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	1,406	1,543

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,393	6,185
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,039)	(1,968)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	0
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,406	1,543
4.5 Effect of movement in exchange rates on cash held	0	0
4.6 Cash and cash equivalents at end of quarter	5,760	5,760

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,690	5,323
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other – bank guarantee	70	70
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,760	5,393

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	40
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
- Director fees and superannuation paid to Non-Executive Directors (\$40k)	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(570)
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	0
9.4 Leased assets	0
9.5 Staff costs	(585)
9.6 Administration and corporate costs	(285)
9.7 Other (provide details if material)	
- Estimated FY18 R&D Tax Rebate net of costs	1,500
- Proceeds from exercise of listed options (HZROs) held in trust by share registry at 31 Dec 2018	898
- Share issue costs	(3)
9.8 Total estimated cash outflows	955

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

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

Sign here: 
(Company secretary)

Date: ..31 January 2019.....

Print name:Emma Waldon.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.