

APPENDIX 4C – 31 MARCH 2020 COMPANY UPDATE & QUARTERLY CASHFLOW REPORT

Highlights:

- *Board approval of a capex budget for the Hazer Commercial Demonstration Plant (CDP) of \$16.65 million following completion of sufficient detailed engineering activities in conjunction with Primero Group, a multi-disciplinary engineering group, who was appointed under an Early Contractor Involvement contract.*
- *Executed a binding Funding Agreement with the Australian Renewable Energy Agency (ARENA) for grant funding of up to \$9.41 million under the Advancing Renewables Program to support the design, procurement, construction and operation of the Hazer CDP.*
- *Received a \$1.34 million R&D Tax Incentive cash rebate for the year ended 30 June 2019.*
- *Cash reserves of \$9.35 million at 31 March 2020.*

PERTH, AUSTRALIA; 21 APRIL 2020: Hazer Group Ltd (“Hazer” or “the Company”) (ASX: HZR) lodges the attached Appendix 4C Quarterly Cashflow Report for the nine-month period ended 31 March 2020.

Activities Update

Hazer focussed on progressing the Hazer Commercial Demonstration Plant (“CDP”) during the quarter. Key activities in relation to the CDP included:

- Engineering, design and procurement planning necessary to support the Board approval of a \$16.65 million project budget, including receipt of initial bids for key sub-packages;
- Execution of a binding Funding Agreement with the Australian Renewable Energy Agency (ARENA); and
- Continuing to progress other key agreements for the CDP.

The proposed Hazer Process CDP is a 100 tons per annum, low-emission hydrogen production facility that will be the first large-scale, fully integrated deployment of the Hazer Process. It is proposed to locate the CDP at the Water Corporation’s Woodman Point Waste-Water Treatment Plant in Western Australia. The CDP will utilise biogas produced at the treatment plant as feedstock to produce hydrogen and graphite. The CDP represents the key next step in fully commercialising the Hazer technology.

In addition, Hazer continued research activities in partnership with the Innovative Manufacturing CRC (IMCRC) and discussions with partners including under the Memorandum of Understanding with Chiyoda Corporation for the collaboration on commercialisation of the Hazer technology in Japan and the successful Western Australian Hydrogen Fund application for funding of up to \$250,000 for a feasibility study on the creation of a renewable hydrogen transport hub in the City of Mandurah and the wider region.

Hazer Commercial Demonstration Plant Update

Hazer made significant progress during the quarter on developing the Hazer CDP, across technical, commercial and funding activities. The execution of a binding Funding Agreement with ARENA for grant

funding of up to \$9.41 million under the Advancing Renewables Program to support the design, procurement, construction and operation of the CDP and Board approval of the capex budget represented significant milestones for the project.

Funding under the Funding Agreement with ARENA remains contingent on Hazer satisfying certain conditions precedent, in a form acceptable to ARENA, including completion of binding Biogas Supply and Hydrogen Offtake Agreements, and demonstrating financial capacity to complete the project. At each funding milestone, Hazer is required to submit a Milestone Report demonstrating that the company has met the operational and technical requirements of that milestone and demonstrating the ongoing capacity to fund and execute the project. Subsequent to the end of the Quarter, Hazer has agreed a variation with ARENA to the Funding Agreement, extending the date by which these Conditions Precedent must be satisfied until 15 December 2020 (previously 30 June 2020).

Hazer is continuing to progress commercial activities required to reach a Final Investment Decision (FID) on the Hazer CDP. Negotiations of binding Biogas Supply and Project Development Agreements are continuing with Water Corporation and negotiation of a binding hydrogen Offtake Agreement is in progress with BOC Limited. With the significant disruption caused by the COVID-19 pandemic these have progressed slower than anticipated, but we are continuing to progress these agreements through Q2 2020 with a target of making a decision on the Project FID by mid-2020.

Hazer is continuing to progress engineering and procurement activities to maintain our current schedule target project commissioning date of Q1 2021. We are continuing to progress detailed design activities with Primero Group, completion of specialist engineering sub-packages, and applications for various required approvals. Procurement packages continue to be progressed with request for quotations (RFQs) for key long lead time package issued to the market.

Whilst the COVID-19 pandemic has had limited impact on the company's activities up to date, the Board will carefully consider the risks on the current situation in particular being satisfied that the project can be delivered within the proposed schedule and budget given potential interruptions to global supply chains and access to contractors, and being able to secure the balance of funding required on acceptable terms.

Research & Development Activities

During the quarter, Hazer continued its research program in partnership with the Innovative Manufacturing CRC (IMCRC) to progress its research in advanced carbon materials (ACM) applications. IMCRC is a not-for-profit, independent cooperative research centre that helps Australian companies increase their global relevance through research-led innovation in manufacturing products, processes and services.

In Q4 2019, Hazer was awarded matching IMCRC funding of \$800,000 to support its ongoing successful research and development (R&D) collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering.

Over the next two years, researchers will be investigating the use of graphite ACM derived from Hazer's novel manufacturing process, the Hazer Process, focusing on applications including Li-ion batteries, water purification, and additives for lubrication products. Previous R&D projects have indicated promising results in these three product sectors and potential use as an additive in advanced building materials and cement.

Intellectual Property Update

Hazer is pleased to advise that it now has patents granted in New Zealand, Singapore and Australia and further patent applications have been accepted in South Africa and Eurasia across two of its core patent families. The countries that are covered by the Eurasian application are: Turkmenistan, the Republic of Belarus, the Republic of Tajikistan, Russia, the Azerbaijan Republic, the Republic of Kazakhstan, Kyrgyzstan, and Armenia. A summary of the Company's granted and accepted patents is outlined in an Appendix to this announcement.

The next stage for the Eurasian application is to enter regional phase, where the patent application will be translated, as necessary, into specific languages relevant for the different countries. There is no further examination at this stage and Hazer may gain protection in the relevant country simply by paying fees for that country.

In addition, Hazer advises of the allowance of its first patent in the United States, patent application 14/954,654 – “Process for producing hydrogen from hydrocarbons”. This application was originally filed by the University of Western Australia and was assigned to Hazer prior to its listing on the ASX. This patent was filed in the United States only and there are no other pending applications in this patent family

Remaining patent applications are ongoing and continue to be pursued as per the normal procedures and timelines of the various relevant patent organisations as part of our intellectual property protection strategy.

Cashflow commentary

The company had net cash outflows from operating activities for the quarter of \$0.20 million and cash reserves of \$9.35 million as at 31 March 2020. Total payments of \$1.57 million for the CDP, research and development activities, staff costs (including research and development staff) and corporate administration costs were largely offset by the receipt of \$1.34 million R&D Tax Incentive claim for the year ended 30 June 2019. The Australian Commonwealth Government’s R&D Tax Incentive program provides a cash refund on eligible research and development activities performed by Australian companies.

Net financing cash outflows were \$0.05 million for the quarter. Financing outflows related to transaction costs associated with capital raisings in the previous quarter.

The company remains well funded to execute its key 2020 strategic objectives and planned activities.

Authorised for release by the Board of the Company.

Appendix 1: Granted Patents and Accepted Applications

Patent family derived from PCT/AU2016/000115, entitled “A process for producing hydrogen and graphitic carbon from hydrocarbons”

Official No.	Country	Case Status
2016240393	Australia	Granted
2018101787	Australia	Certified (innovation patent)
2018101788	Australia	Certified (innovation patent)
735781	New Zealand	Granted
11201707907S	Singapore	Granted
2017/06455	South Africa	Accepted
201792048	Eurasian	Accepted

Patent family derived from PCT/AU2016/000298, entitled “A process of controlling the morphology of graphite”

Official No.	Country	Case Status
2016312962	Australia	Granted
740136	New Zealand	Granted
2018/01820	South Africa	Accepted

Allowance of United States patent application 14/954,654 – “Process for producing hydrogen from hydrocarbons”

[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.

For further information or investor enquiries, please contact:

Geoff Ward

Email: contact@hazergroup.com.au

Phone: +61 8 9329 3358

For media enquiries, please contact:

WE Communications

Email: WE-AUHazer@we-worldwide.com

Phone: +61 437 812 102

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, Facebook and YouTube.

Subscribe to HAZER NEWS ALERTS - visit our website at www.hazergroup.com.au and subscribe to receive HAZER NEWS ALERTS, our email alert service. HAZER NEWS ALERTS is the fastest way to receive breaking news about @hazergroupltd.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

HAZER GROUP LIMITED

ABN

40 144 044 600

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(651)	(1,424)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(589)	(1,648)
(f) administration and corporate costs	(332)	(782)
1.3 Dividends received (see note 3)		
1.4 Interest received	26	45
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	1,340	1,340
1.8 Other (provide details if material)	(17)	(71)
- Net GST received / (paid)		
1.9 Net cash from / (used in) operating activities	(223)	(2,540)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property		
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) 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		5,958
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		360
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(49)	(432)
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	(49)	5,886

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,625	6,007
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(223)	(2,540)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(49)	5,886
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	9,353	9,353

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	9,264	9,516
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	89	109
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,353	9,625

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	120
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
-	Salary, Director fees and superannuation paid to Directors (\$120k)	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0

7.5 **Unused financing facilities available at quarter end** 0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(223)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	9,353
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	9,353
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	42

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

Date: 21 April 2020.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.