

## APPENDIX 4C – 30 JUNE 2020 QUARTERLY ACTIVITIES & CASHFLOW REPORT

### Highlights:

- *Significant progress made to finalise the financing for the Hazer Commercial Demonstration Plant (“CDP”) to enable a mid-year Final Investment Decision for the project. As announced today, the Board has approved the Final Investment Decision for the CDP project and appointed Primero Group as our engineering, procurement and construction contractor.*
- *Completed capital raisings totalling \$9.45 million to support the CDP, including a strongly supported \$8.4 million placement to institutional and sophisticated investors and \$1.05 million from the exercise of options.*
- *Executed a non-binding Term Sheet for a \$6.0 million senior secured loan facility from Mitchell Asset Management.*
- *Engagement with the Australian Renewable Energy Agency (ARENA) to progress the satisfaction of the conditions precedent to the ARENA Funding Agreement.*
- *Progressed engineering, design and procurement activities for the CDP project; detailed design ~40% complete at end June*
- *Planning, heritage and environmental approvals progressed with relevant applications submitted to WA Government.*
- *Cash reserves of \$17.24 million as at 30 June 2020.*

**PERTH, AUSTRALIA; 31 JULY 2020:** Hazer Group Ltd (“Hazer” or “the Company”) (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the twelve-month period ended 30 June 2020.

### Activities Update

Hazer focussed on progressing the Hazer Commercial Demonstration Plant (“CDP”) during the quarter. The Company was pleased to make significant progress in relation to the financing for the project, key activities during the quarter included:

- Completion of a strongly supported placement to institutional and sophisticated investors to successfully raise gross proceeds of \$8.4 million;
- Execution of a non-binding Term Sheet for a \$6.0 million senior secured loan facility from Mitchell Asset Management (ABN 65 123 804 491) (“MAM Loan Facility”);
- Engagement with the Australian Renewable Energy Agency (ARENA) to progress the satisfaction of the conditions precedent to the ARENA Funding Agreement; and
- Continuing to progress engineering, design and procurement planning and required third party approval applications.

Subsequent to the end of the quarter, the Company was pleased to announce today that the conditions precedent to the ARENA Funding Agreement have been met, or are cable of being met, and a binding Loan Facility agreement with Mitchell Asset Management has been executed. With completion of these activities, the Board of the Company has approved the final investment decision for the Hazer CDP project and appointed Primero Group as our engineering, procurement and construction contractor for the CDP. Further details can be found in the ASX announcement titled "Hazer Commercial Demonstration Project Final Investment Decision Approval" released today.

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

During the quarter, Hazer progressed plans for the feasibility study into establishing a renewable hydrogen refuelling hub in the City of Mandurah or Peel Region, including the establishment of a well credentialed study group and selection of external consultants. This study has received \$250,000 funding from the WA Government Renewable Hydrogen Fund.

In addition, Hazer continued research activities in partnership with the Innovative Manufacturing CRC (IMCRC) and discussions of potential project opportunities with potential customers and collaboration partners including under the Memorandum of Understanding with Chiyoda Corporation.

#### ***Final Investment Decision for CDP & Appointment of EPC Contractor***

As noted, Hazer is pleased to advise that the Board has approved the final investment decision to proceed with the Hazer CDP and the appointment of Primero Group as our engineering, procurement, and construction contractor for the Project

The Board has revised the previously announced CAPEX budget of \$16.65 million to \$17.0 million. The Project scope has been expanded to include a stationary hydrogen fuel cell power generation system. This will allow Hazer to self-consume part of the hydrogen produced by the CDP to generate renewable power.

The Hazer CDP is expected to commence pre-commissioning activities in Q2 2021 and is targeted to achieve practical completion in mid-2021. The Project is intended to operate for a maximum of 3 years or until the end of 2023 depending on the future operational plans of the Woodman Point facility.

Following the successful capital raising undertaken in June 2020, Hazer has cash reserves as at 30 June 2020 of \$17.24 million. Together Hazer's cash resources, the MAM Loan Facility and the ARENA grant are forecast to be sufficient to fully fund the construction of the CDP and the first 12 months of planned operations, along with the Company's ongoing R&D program, our business development activities and ongoing corporate costs until June 2022.

In relation to the following CDP material agreements, please refer to the following ASX announcements for details of the key terms of these agreements:

- Biogas Supply Agreement and Project Collaboration Agreement with Water Corporation – ASX announcement titled "Execution Of Binding Gas Supply Agreement And Collaboration Deed With Water Corporation" released on 26 May 2020;
- ARENA Funding Agreement - ASX announcements titled "Execution Of Arena Funding Agreement" released on 16 March 2020 and "Arena Funding Agreement Additional Information" released on 23 March 2020; and
- MAM Loan Facility – refer to ASX announcement titled "Hazer Commercial Demonstration Project Final Investment Decision Approval" released today.

Please refer to ASX announcement titled "Hazer Commercial Demonstration Project Final Investment Decision" released 30 July 2020 for further details including an update on status of the ARENA Funding Agreement.

## **Hydrogen Transport Applications Feasibility Study**

In Q1 2020, Hazer announced it was a successful applicant for Feasibility Study funding under the Western Australian state government's Renewable Hydrogen Fund. The fund is a key part of the government's Renewable Hydrogen Strategy which aims to position WA as a major producer, user and exporter of renewable hydrogen. Hazer's application is for a Feasibility Study on the creation of a renewable hydrogen refuelling hub based on the City of Mandurah and Peel region.

The study aims to identify and aggregate customers for hydrogen-based low-emission transport applications and match them with hydrogen infrastructure and supply solutions, including potential supply from a future expansion of the proposed Hazer CDP. The WA state government has committed to provide up to \$250,000 to complete the study, with an additional \$100,000 (total) committed by Hazer and its study partners.

During the quarter, Hazer executed a Financial Assistance Agreement with the WA Department of Jobs, Tourism, Science and Innovation for the study and formed a Study Group to manage and oversee the Feasibility Study. The Study Group, who will co-fund the study with Hazer, comprises Hyzon Motors Australia, a manufacturer of heavy duty fuel cell electric vehicles - in particular buses and trucks - and Macquarie Group, a leader in managing, developing and financing infrastructure and renewable energy projects globally.

## **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 over two years to support its ongoing successful research and development (R&D) collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering.

During the quarter, Hazer continued research activities to investigate 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.

## **Mineral Resources PTR Pilot Plant & Cooperation Agreement**

During the quarter, there were no material updates to activities undertaken pursuant to the Cooperation Agreement with Mineral Resources Limited. Mineral Resources continue to assess options to develop the proposed synthetic-graphite project but has not yet advised Hazer of their proposed decision process to continue to Stage 2 of the strategic partnership.

## **Cashflow commentary**

The Company's cash reserves increased by \$7.89 million during the quarter to \$17.24 million as at 30 June 2020. Net financing cash inflows of \$8.89 million were partially offset by \$1.00 million of net cash outflows from operating activities during the quarter.

During the quarter, the Company was pleased to complete a placement to institutional and sophisticated investors. The placement resulted in the issue of 20,000,000 new fully paid ordinary shares at an issue price of \$0.42 to raise \$8.40 million (before costs). This capital raising was supplemented with option exercise proceeds totalling \$1.05 million and resulted in the issue of a further 2,625,000 fully paid ordinary shares.

These capital raisings, along with the announcement today of the execution of a \$6.0 million senior secured loan facility from Mitchell Asset Management (ABN 65 123 804 491), have enabled the Company to satisfy a condition precedent of the ARENA Funding Agreement to demonstrate the financial capacity to complete the CDP project.

Total payments of \$1.05 million for the CDP, research and development activities, staff costs and corporate administration costs were partly offset by the receipt of a \$0.05 million COVID response cash boost payment available to small and medium employers. Research and development costs for the quarter included third party engineering services for the CDP as detailed engineering packages were finalised for quotation and costs associated with progressing required approvals for the project.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.12 million was paid to related parties during the quarter (as noted in section 6 of the attached Appendix 4C) and these payments were salaries, fees and superannuation paid to Directors.

Authorised for release by the Board of the Company.

**[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, Facebook and YouTube.

Subscribe to HAZER NEWS ALERTS - visit our website at [www.hazergroup.com.au](http://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")**

30 JUNE 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(293)	(1,717)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(555)	(2,203)
(f) administration and corporate costs	(204)	(986)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	47
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	0	1,340
- Covid-19 Cash Boost payment	50	50
1.8 Other (provide details if material)	(1)	(72)
- Net GST received / (paid)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,001)</b>	<b>(3,541)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) investments		
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>0</b>	<b>0</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	8,400	14,358
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	1,050	1,410
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(562)	(994)
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)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>8,888</b>	<b>14,774</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	9,353	6,007
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,001)	(3,541)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	8,888	14,774
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>17,240</b>	<b>17,240</b>

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	17,151	9,264
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	89	89
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>17,240</b>	<b>9,353</b>

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, Directors 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
<b>7.4 Total financing facilities</b>	<b>0</b>	<b>0</b>

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,001)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	17,240
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	17,240
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>17</b>

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: 31 July 2020.....

Authorised by: Board of the Company.....  
(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.