

## APPENDIX 4C – 31 DECEMBER 2020 QUARTERLY ACTIVITIES & CASHFLOW REPORT

### Highlights:

- *Hazer Commercial Development Project – majority of significant approvals completed, with detailed engineering phase progressed to 65% completion and orders for majority of major equipment supply packages now placed.*
- *Execution of Convertible Note Deed with AP Ventures, subject to receipt of necessary approvals (including FIRB). AP Ventures are a global VC fund headquartered in London with a mandate to invest in pioneering new technologies and companies.*
- *Hazer and Mineral Resources agreed mutual termination of the Binding Collaboration Agreement.*
- *Hazer maintains strong financial position with cash reserves of \$28.8 million as at 31 December 2020. Cash held increased in the quarter with receipt of \$0.951 million R&D Tax Incentive rebate, option exercise proceeds of \$3.55 million, \$2 million loan receipt from the MAM Loan Facility, and receipt of \$9.4 million from the Australian Renewable Energy Agency.*

**PERTH, AUSTRALIA; 25 JANUARY 2021:** Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the six-month period ended 31 December 2020.

Key activities undertaken during the quarter are outlined below:

### **Commercial Demonstration Plant update**

A key focus of the Company's activities continues to be the execution of the Hazer Commercial Development Project ("CDP" or "Project"). Successful execution of the CDP demonstrating Hazer's technology scale-up represents the key next step in fully commercialising the Hazer Process. Good progress has been made on the Project since taking the FID decision in July 2020 despite a very challenging operating environment due to Covid-19.

The 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.

During the quarter, Hazer further advanced engineering, procurement and permitting activities related to the CDP.

Significant progress has been made on permitting activities with Development Approval, Works Approval, Clearing Permit and Section 18 (Aboriginal Heritage) approval secured by year-end. The receipt of these approvals will allow civil site preparation to be undertaken in Q1 calendar year 2021. During December, a welcome to country singing ceremony was also completed by a Whadjuk Elder as a representative of the traditional owners. Exact dates for the start of civil preparations will be finalised subject to the availability of

required equipment and resources. The timing of this within Q1 calendar year 2021 will not impact the overall project schedule.

Detailed engineering activities were progressed to allow the award of all major equipment supply packages, with detailed engineering approximately 65% complete at year-end with major HAZOP and LOPA (design safety reviews) completed during the quarter. Orders for majority of major equipment supply packages have now been placed with a key package for supply of process compression equipment awarded to a new vendor after technical and supply difficulties (partly related to impacts of Covid-19) were identified with the original vendor.

A key technical design item that remains outstanding is finalising the detailed design of the reactor and associated heating system. During the quarter, detailed safety assessments identified some operational risks with the proposed internally electrically heated design. After assessing these risks and the potential time and cost to resolve them, a decision was made to alter the reactor design to an externally heated hot-wall design (as utilised in the operating Hazer Pilot Plant). Finalisation of this design, material selection and selection of the heating system vendor is expected to be completed in Q1 calendar year 2021; any material impacts on project cost or schedule will be communicated to shareholders once final details of the design are selected.

The Project has an approved capex budget of \$17.0 million at FID. While the Project has not seen any material impacts from Covid-19, the increased competition for resources, pressure on international supply chains and complexity and original nature of the Project's requirements has seen some increases in budgetary amounts as detailed design is advanced and equipment and material requirements finalised. The Project retains a substantial contingency allowance to mitigate these impacts. An overall final budget range is currently projected to be \$17.2 - \$17.6 million.

At the date of this report, there is no change to the project schedule and capex budget guidance previously advised in the Company's Annual General Meeting presentation released on the ASX on 30 November 2020.

Hazer continues to monitor potential project schedule risks from the impact of Covid-19 due to delay or slower than anticipated delivery of project materials or equipment and increased competition for resources in the WA market. The Company will continue to update shareholders on any schedule or budget impacts if or when they become known.

## **Business Development**

The global hydrogen market continues to gather pace. The market has a favourable macro-environment with national roadmaps and strategies now translating into investment targets, funding programs and regulatory changes. Hazer is seeing a significant increase in interest in its technology from international companies across a wide range of applications driven by a desire by end-users to de-carbonise operations.

Through 2020, Hazer developed a strong relationship with Chiyoda Corporation under a Memorandum of Understanding (MOU) to collaborate on the commercialisation of the Hazer technology in Japan and develop low emission hydrogen production facilities. This relationship provides an excellent platform for engagement with potential Japanese customers. Engagement under the MOU continued during the quarter, and the Company hopes to see this relationship advance to secure Feasibility Studies with potential partners and customers in 2021.

The Company's target is to advance one or more selected opportunities, either under collaboration with Chiyoda or via other parties Hazer is actively engaged with, to feasibility study stage in parallel with the CDP's construction and operation. We anticipate the Hazer CDP will provide a strong reference site for future commercial partners, with completing the CDP a major step to demonstrate the scale-up of the Hazer technology and its commercial readiness.

A key focus for the Company's activities in 2021 will be taking the knowledge gained from the CDP design to advance the designs and costing for larger-scale Hazer Plant designs targeting a range of capacities to suit various end-use scenarios (indicatively 1,000 – 2,500 – 5,000 tpa H2 capacity). This work will commence in Q1 calendar 2021 and may include collaboration with a range of engineering specialists to pursue process optimisation and cost-reduction strategies.

During the quarter, Hazer also progressed a Feasibility Study into establishing a renewable hydrogen refuelling hub based in the Mandurah / Peel region in Western Australia. 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.

This study is being delivered by global consultants Aurecon and a study group comprising Hazer, 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. The study is partly funded by a \$250,000 grant under the Western Australian State Government's Renewable Hydrogen Fund and is expected to be completed in Q1 calendar year 2021.

### **Research & Development Activities**

Research & Development remains a core activity for Hazer with potential high impact programs developed in 2020 to continue into 2021. The Company's research program is undertaken in partnership with the Innovative Manufacturing CRC (IMCRC) and the activities focussed on two pathways:

- (i) Catalyst & reaction development – including testing and optimisation of different catalyst materials used in the Hazer Process (both natural and synthetic iron oxides); and
- (ii) Graphite characterisation, functionalisation, application testing and purification – including testing of potential applications for Hazer graphite and development of methods to functionalise graphite to enhance various properties

During the quarter, Hazer committed to a Scoping Study for a novel electrochemical purification technique to purify the graphite produced in the Hazer Process without the use of high-temperature or aggressive acid treatment. The study follows initial successful lab tests that indicated the potential to achieve purities in excess of 99% total graphitic carbon scoping using this process. The study will be undertaken by external consultants, Independent Metallurgical Operations, and will focus on how the promising early-stage lab results could be upscaled to a pilot trial.

This R&D effort to improve graphite quality compliments other research activities undertaken by the Company under the IMCRC program to investigate using graphite derived from the Hazer Process in sectors such as Li-ion battery materials and water purification.

### ***Strategic Investment secured from AP Ventures.***

During the quarter, the Company executed a binding Convertible Note and Option Deed with AP Ventures Fund II GP LLP (AP Ventures), a global venture capital firm headquartered in London with a mandate to invest in pioneering new technologies and businesses which aim to solve global challenges such as renewable energy integration, resource scarcity and rapidly changing demographics ([www.apventures.com](http://www.apventures.com)). AP Venture's portfolio is concentrated in the hydrogen sector, with its investments supporting companies through their commercialisation and scale-up phases.

Under the Convertible Note Deed, AP Ventures will make a \$4 million investment in Hazer and acquire 4 million unquoted \$1 convertible notes (Notes) and 2.25 million unquoted Hazer options (Options). The Notes have a conversion price of the higher of 20 cents, and the 5-day volume-weighted average price of Hazer Shares at the time of conversion. For details of the key terms of the agreement, refer to the previous ASX announcement titled "Hazer & AP Ventures Agree Investment Terms" released on 12 October 2020.

Subsequent to the end of the quarter, a General Meeting of shareholders was held on 12 January 2021 passing resolutions to approve the issue of the Convertible Notes and Options to AP Ventures. With the receipt of this shareholder approval, and all required ASX and ASIC approvals for the transaction also received during the quarter, approval of the transaction by the Foreign Investment Review Board (FIRB) is the only material condition remaining outstanding. Once FIRB approval is obtained a representative of AP Ventures will be asked to join the Hazer Board. Hazer believes this relationship will provide valuable support to the Board and management as we progress the scale-up and commercialisation of the Hazer technology.

## **Mineral Resources Cooperation Agreement termination.**

During the quarter, Hazer and Mineral Resources Limited (ASX: MIN) agreed to mutually terminate the Binding Collaboration Agreement between the parties. A Deed of Termination to affect this was executed, and details can be found in our previous ASX announcement titled "Hazer & Mineral Resources Terminate Collaboration" released on 23 November 2020.

The termination of the agreement has no financial impact on Hazer and provides new opportunities for the Company with all rights accruing to MIN under the agreement ceasing including the exclusive global licence to apply the Hazer Technology in graphite applications and right to buy graphite from future Hazer hydrogen projects. Hazer can now pursue graphite marketing and licensing deals independently of any right to MIN, and it provides the opportunity to use the Hazer Process to develop more integrated hydrogen and graphite opportunities.

## **Cashflow commentary**

As at 31 December 2020, the Company had cash reserves of \$28.8 million, including \$8.1 million of cash relating to Australian Renewable Energy Agency (ARENA) grant proceeds and other loan proceeds that are restricted from use by the Company until certain milestone conditions are satisfied.

Hazer generated net operating cash inflows of \$8.7 million during the quarter. Operating cash payments totalling \$2.6 million were offset by the receipt of \$9.4 million (plus GST) in ARENA grant funding, a \$0.95 million R&D Tax Incentive rebate for FY20, \$0.075 million from the Western Australian State Government being the first tranche of a \$0.25 million grant from its Renewable Hydrogen Fund and \$0.012 million of COVID related support from the federal government.

Net operating payments included expenditure for research and development activities (\$1.4 million), staff costs (including research and development employees) (\$0.58 million) and corporate and administration (\$0.62 million). Research and development expenses included payments totalling \$1.14 million in relation to the CDP, including engineering costs and key equipment packages and a \$0.11 million contribution to the IMCRC research project.

Corporate and administration costs were higher than the prior period, due to costs incurred from annual expenditure items, including audit, tax return preparation and insurance costs and the Mandurah-Peel feasibility study. The feasibility costs are partly funded by the receipt of a grant from the Western Australian State Government's Renewable Hydrogen Fund, with \$0.75 million received to the end of December 2020.

The non-dilutive grant funding received from ARENA supports the design, procurement, construction and operation of the CDP. The Company can access grant proceeds once funding milestones in a form acceptable to ARENA are reached. In November 2020, the \$2.2 million milestone 1 grant was released with the balance of the grant, \$7.2 million, held in a restricted Hazer bank account as at 31 December 2020. The milestone 2 grant of \$1.8 million is subject to meeting milestone deliverables that site civil works are complete and comply with development approvals. This is anticipated to be released in Q1 calendar year 2021.

During the period, Hazer's net financing cash inflows of \$4.54 million after transaction costs, were generated from the exercise of options (\$3.53 million) and net borrowing proceeds (\$1.01 million).

The first \$2.0 million tranche of the \$6.0 million MAM Loan Facility was drawn in November 2020 with \$0.95 million (being the FY20 R&D Tax Incentive rebate received in October 2020) repaid in line with the loan repayment terms. At 31 December, \$0.88 million of the loan proceeds drawn were held in a restricted Hazer bank account; this can be accessed when eligible costs under the R&D tax rebate are incurred.

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). 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.

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## 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 DECEMBER 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$ A'000</b>	<b>Year to date (6 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 <sup>1</sup>	(1,409)	(2,181)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(582)	(1,186)
(f) administration and corporate costs	(615)	(986)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
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	951	951
- Government rebates (covid related)	12	67
- WA Government grant (Hydrogen Fund)	75	75
- ARENA grant	9,410	9,410
1.8 Other (provide details if material)		
- Net GST received / (paid)	862	858
<b>1.9 Net cash from / (used in) operating activities</b>	<b>8,707</b>	<b>7,014</b>

<sup>1</sup> Research and development expenditure in 1.2 (a) includes costs incurred on the Commercial Development Plant (Project) construction. The Company spent (\$595k) during the current quarter and year to date for the 6 months (\$1,734k). Due to the nature of the Project, this expenditure is expected to be eligible for the R&D tax incentive.

Consolidated statement of cash flows	Current quarter \$ A'000	Year to date (6 months) \$ A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(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		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	3,550	3,550
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(20)	(29)
3.5 Proceeds from borrowings	2,000	2,000
3.6 Repayment of borrowings	(951)	(951)
3.7 Transaction costs related to loans and borrowings	(36)	(36)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>4,543</b>	<b>4,534</b>

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (6 months) \$ A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at the beginning of the period	15,538	17,240
4.2	Net cash from / (used in) operating activities (item 1.9 above)	8,707	7,014
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)	4,543	4,534
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>28,788</b>	<b>28,788</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	20,630	15,450
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	88	88
	- Restricted cash (ARENA grant)	7,190	-
	- Restricted cash (Loan drawings)	880	-
<b>5.5</b>	<b>Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)</b>	<b>28,788</b>	<b>15,538</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1 <sup>2</sup>	120
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

**Current quarter \$A'000**

<sup>2</sup> Salary, Director's fees and superannuation paid to Directors (\$120k)

**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 <sup>3</sup>	5,065	1,065
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
<b>7.4 Total financing facilities</b>	<b>5,065</b>	<b>1,065</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.

<sup>3</sup> \$6 million Senior Secured Loan Facility with Mitchell Asset Management (MAM) in its capacity as trustee for the Mitchell Asset Management Go-Innovation Finance Fund (ABN 88 447 520 706). The remaining \$4 million of the facility to be called down in 2 tranches of \$2 million each. The loan has a term of up to 5 years and is to be repaid from expected future R&D tax rebates.

<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)	8,707
8.2 Cash and cash equivalents at quarter-end (Item 4.6)	28,788
8.3 Unused finance facilities available at quarter-end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	28,788
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

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: 25 January 2021

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.