

APPENDIX 4C – 31 MARCH 2021 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *Hazer Commercial Development Project – commencement of site works, including the mobilisation of equipment, site-clearing and civil earthworks. Key contracts, including the reactor and furnace packages, have been awarded in March and April 2021.*
- *Hazer maintains a strong financial position with cash reserves of \$25.4 million as at 31 March 2021. Subsequent to the end of the quarter, additional funds were received via \$4 million proceeds from AP Ventures Convertible Notes being issued and proceeds from exercise of options totalling \$0.240 million.*

PERTH, AUSTRALIA; 30 APRIL 2021: Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the nine-month period ended 31 March 2021.

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 continues to be made on the Project despite a very challenging operating environment due to ongoing impacts of 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 and commenced civil site works at the project location within the Woodman Point waste-water treatment facility. We are pleased to highlight progress was made in the following key areas.

Contracts for the supply of materials and fabrication for the reactor and reactor heating systems were awarded in March and April, respectively, following completion of a detailed review of the material specifications, design requirements and operating specifications required for the CDP. The placement of these orders is a significant milestone, and the Hazer project team will now work with the chosen suppliers on the detailed implementation of these complex packages.

Hazer was granted access to the project site at Woodman Point waste-water treatment facility for the Hazer Commercial Demonstration Project. Mobilisation of equipment, site clearing, and civil earthworks commenced. The civil site preparation works are planned to be completed in early May 2021, with concreting and civil construction activities starting mid-year.

First vendor equipment packages have been received and will be securely stored ahead of installation scheduled for the second half of 2021. These include receipt of the hydrogen fuel cell package supplied by Horizon Fuel Cell Technologies.

During the quarter, we advised that the expected cost of the Project was now estimated to be between 5 – 10% above our initial indicated capital cost estimate of \$17 million in an expected range of \$17.9 million - \$18.7 million and an expected target completion date of November / December 2021.

The increase in cost is due to a number of factors, including; an increased budget for the reactor and furnace packages as the revised design has required more complex metallurgy and manufacturing to be able to safely

deal with the required process conditions, increased engineering costs to complete the detailed design due to the complexity of issues required to be resolved to deliver this complex, first-of-its-kind Project, and increased costs for some primary equipment items between initial budget prices and final pricing reflecting improved activity in global markets as economies begin recovery from the covid-related slowdown in 2020 and increased labour and equipment costs driven by the very strong activity levels in the West Australian economy.

We maintain our current project cost and schedule guidance but note that there remains significant risk to both cost and schedule due to the current challenging operating environment and that responding to the changes above have required the Company to call on contingency amounts allocated in the budget.

Hazer continues to monitor potential project cost and schedule risks from the impact of Covid-19 due to such circumstances, delay or slower than anticipated delivery of project materials, or other disruptions to the supply and availability of goods and equipment in the countries of origin. This will remain an ongoing risk until all required equipment packages are delivered as the majority of equipment packages are internationally sourced. Where possible, we have sought to use local suppliers and manufacturers. Where these suppliers work with international supply chains, we will endeavour to get materials and equipment into Australia as early as possible. Additionally, the very strong performance of the Western Australian economy sees increased pressure on labour, equipment and contract rates for construction related services and materials.

The Company will continue to update shareholders on any schedule or budget impacts and will continue to provide an update with each Quarterly Report.

Business Development

International interest in low-emission technologies continues to be very strong across Europe, Asia and North America, with a significant focus on accelerating national decarbonisation plans and increased ambition to tackle climate change following the inauguration of President Biden in the USA. This has resulted in increased enquiries to Hazer about the potential to apply the Hazer technology in a range of scenarios, with particular emphasis on the role it could play in the future decarbonisation of heavy industry.

Hazer is continuing to work with potential collaboration partners in Europe, Asia, North America, and Australia to identify the most prospective early commercialisation opportunities, focusing on locations that are emphasising roll-out of industrial demonstration opportunities and providing incentives for the early up-take of low-carbon processes.

During the quarter, we have developed with Chiyoda an engineering program to develop an updated engineering study of a larger (potential capacity 2,000 – 5,000 t p.a.) Hazer plant. This initial study will be used to advance discussions with interested Japanese parties and also as the platform to further advance our discussions with interested parties in Asia, Europe and North America. We hope to be able to commit to this study in the next quarter, with completion of this work expected to occur in 2H 2021.

We maintain our goal of maturing at least one potential project opportunity to a feasibility study stage through 2H 2021 in parallel to completing the construction of the CDP.

Research & Development Activities

Research & Development remains a core activity for Hazer, with high potential impact programs continuing in 2021.

During the quarter, Hazer continued to progress a Electrochemical Purification (ECP) 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 using this process.

Strategic Investment secured from AP Ventures.

Subsequent to the quarter, the AP Ventures Fund II GP LLP (AP Ventures) received approval from the Foreign Investment Review Board (FIRB) for the investment of \$4 million to acquire 4 million unlisted, unsecured \$1 Convertible Notes issued by Hazer and 2,250,000 Hazer Options.

AP Ventures Fund II GP LLP (AP Ventures) is 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). AP Venture's portfolio is concentrated in the hydrogen sector, with its investments supporting companies through their commercialisation and scale-up phases.

AP Ventures' extensive presence in the hydrogen market and global network of investment companies and partners provides them with a unique insight into the rapidly evolving hydrogen market; Hazer looks forward to working with AP Ventures to accelerate our own development and the commercialisation of the Hazer technology.

Appointment of New Director.

Subsequent to the quarter and following completion of the investment by AP Ventures, the Board was pleased to welcome Mr Andrew Hinkly to the Board of Hazer. Andrew is the Founding Managing Partner of AP Ventures and brings extensive experience regarding the international hydrogen industry. Prior to AP Ventures, Andrew has enjoyed a high profile career spanning more than 25 years working in commercial roles across the automotive and mining industries, including senior leadership positions at Anglo American, where he worked for a decade and was a member of Anglo American Platinum Executive Committee, and the Ford Motor Company where he was a member of the North American Executive Committee. Andrew has an MBA from the University of Manchester and a BSc in Civil Engineering from the University of Loughborough.

The key terms of Mr Hinkly's engagement in Hazer are:

Commencement date:	21 April 2021
Title:	Non-Executive Director
Total remuneration entitlements:	The Company will reimburse reasonable fees and expenses in attending one annual face-to-face meeting of the Board in Australia.
Appointment:	In accordance with the Company's Constitution, the Corporations Act 2001, and the Company's charters and policies (as amended from time to time).

Cashflow commentary

As at 31 March 2021, the Company had cash reserves of \$25.4 million, including \$7.2 million of cash relating to Australian Renewable Energy Agency (ARENA) grant proceeds, available to the Company when certain milestone conditions are satisfied.

Hazer incurred net operating cash outflows of \$2.1 million during the quarter. Operating cash payments totalled \$2.2 million were offset by the receipt of \$0.135 million from the Western Australian State Government and collaborating study partners.

Net operating payments included expenditure for research and development activities \$0.18 million, staff costs (including research and development employees) of \$0.91 million, and corporate and administration fees totalled \$0.19 million. Financing costs of \$0.07 million related to borrowing costs incurred under the Companies loan facility.

Cash used for investing activities totalled \$1.63 million, incurred on the CDP for engineering and key equipment packages. These costs are expected to be eligible for the R&D tax incentive rebate when the asset becomes ready for use.

During the quarter, net cash inflows from financing activities were \$0.308 million, comprising funds received from options exercised of \$0.24 million, borrowing proceeds of \$0.07 million and transaction costs of \$0.002 million.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.18 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 MARCH 2021

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 ¹	(183)	(631)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs, including research and development staff	(911)	(2,096)
(f) administration and corporate costs	(194)	(1,171)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(70)	(70)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
- R&D tax rebate	0	951
- Government rebates (covid related)	0	67
- WA Government grant (Hydrogen Fund)	135	210
- ARENA grant	0	9,410
1.8 Other (provide details if material)		
- Net GST received / (paid)	(859)	(2)
1.9 Net cash from / (used in) operating activities	(2,081)	6,674

¹ Research and development expenditure in 1.2 (a) is expected to be eligible for the R&D tax incentive rebate. In prior quarters costs relating to the Commercial Demonstration Plant (Project) were included in 1.2(a) and are now recorded as an investing activity in 2.1 (c).

Consolidated statement of cash flows	Current quarter \$ A'000	Year to date (9 months) \$ A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment ²	(1,630)	(3,363)
(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)		
2.6 Net cash from / (used in) investing activities	(1,630)	(3,363)

² Expenditure in 2.1(c) relates to the Commercial Demonstration Plant (Project) construction. In previous quarters these costs were reported as operating cash outflows within item 1.2(a). Costs are expected to be eligible for the R&D tax incentive rebate when the asset becomes ready for use.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	240	3,790
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(2)	(39)
3.5 Proceeds from borrowings	70	2,070
3.6 Repayment of borrowings	0	(951)
3.7 Transaction costs related to loans and borrowings	0	(36)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	308	4,834

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (9 months) \$ A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	28,788	17,240
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,081)	6,674
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,630)	(3,363)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	308	4,834
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at the end of the period	25,385	25,385

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	18,107	20,630
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	7,190
	- Restricted cash (Loan drawings)	0	880
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	25,385	28,788

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 1³
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
180
0

³ Salary, Director's fees and superannuation paid to Directors (\$180k)

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

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$ A'000	Amount drawn at quarter end \$ A'000
7.1 Loan facilities ⁴	5,550	1,119
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	5,550	1,119

7.5 **Unused financing facilities available at quarter-end⁴** 4,431

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 well⁵.

⁴ \$5.55 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). Interest is charged at a rate of 11% to 13% per annum, depending on the various conditions being met. The Facility is secured against all properties, proceeds or benefits of properties owned by Hazer. It has available two further drawdowns of \$2 million each after meeting project milestones contained in the loan agreement. The loan has a term of up to 5 years, terminating 30 June 2025, with repayments expected from future R&D tax rebates.

⁵ Subsequent to quarter-end, AP Ventures Fund II GP LLP received approval from the Foreign Investment Review Board (FIRB) for the investment of \$4 million to acquire 4 million unlisted, unsecured \$1 convertible Notes issued by Hazer and deposited the funds into the Company's bank account.

The Convertible Notes (Notes) can be converted into Hazer ordinary shares between 30 November 2021 to 12 April 2026.

If the Notes are not converted before their Maturity Date on 12 April 2026, the holder may elect for Hazer to repay the amount owing for the outstanding convertible notes at nil interest. The Notes are unsecured debt obligations of Hazer and rank equally with other unsecured creditors.

8. Estimated cash available for future operating activities	\$ A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,081)
8.2 Cash and cash equivalents at quarter-end (Item 4.6)	25,385
8.3 Unused finance facilities available at quarter-end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	25,385
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	12

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

- 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

- 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: 30 April 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.