

APPENDIX 4C – 30 JUNE 2021 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *Hazer Commercial Demonstration Plant Project – civil site preparation completed; significant procurement contracts awarded; engineering design and materials selection progress. Site construction activities have commenced.*
- *Hazer maintains a strong financial position with cash reserves of \$24.6 million.*
- *Strategic investor AP Ventures contributes \$4 million through Convertible Notes.*
- *Andrew Hinkly joins Hazer Board, providing international expertise in hydrogen markets.*
- *Post quarter end, Hazer received approval confirming the completion of Milestone 2 under the ARENA Funding Agreement, releasing \$1.77 million of restricted funds.*

PERTH, AUSTRALIA; 26 JULY 2021: Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the twelve months ended 30 June 2021.

Key activities undertaken during the quarter are outlined below:



Hazer Commercial Demonstration Plant – rendered image

Hazer 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.

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 is located at the Water Corporation's Woodman

Point waste-water treatment plant in Western Australia and utilises biogas produced at the treatment plant as feedstock to produce renewable, low emission hydrogen and graphite.

During the last quarter, civil construction activities commenced with the completion of civil site preparations. Civil construction activities continue with construction of hardstand area, trenching and cable preparations, directional drilling for grid connection. Following the close of this quarter, concreting activities and ground stabilisation works commenced and (weather permitting) are expected to be completed towards the middle of Q1 FY2022.

Engineering and procurement continued to progress with award of contracts for reactor and high-temperature heat-exchanger materials and fabrication, and the finalisation of the inspection and test procedures (ITP) and manufacturing production program (MPP) for these complex materials.

The Hazer reactor and furnace is a complex, first-of-its-kind project to deliver and significant engineering requirements are needed to ensure its safe manufacture and operation. The Hazer team has engaged multiple independent experts in engineering design and materials, from industry and university sectors, to support these critical studies and deliver a world first installation.



Commercial Demonstration Plant – site preparation



Site compaction & laying foundations

Fabrication of equipment modules continued to progress during the quarter at various supplier sites and completed equipment packages have started to be delivered and stored ahead of construction and installation. These include solids separation equipment (cyclones and filters), biogas purification equipment (H₂S and CO₂ removal units), hydrogen purification unit, hydrogen fuel cell, graphite screw conveyors and main switchboard.

The Hazer CDP, like all other construction and engineering projects in the current environment, continues to face significant cost and schedule pressures due to the ongoing impacts of Covid-19 and the high demand for services, materials and labour in WA. Hazer announced an increase in the expected Project Budget to \$20 - \$22 million during the quarter, but continues to maintain our scheduled target of achieving commencement of commissioning in December 2021.

Potential further schedule disruption due to Covid-19 related delays or requirements for additional engineering given the first-of-kind nature of our project remains an ongoing risk. The Company is seeking to mitigate this

by getting materials and equipment into Australia as early as possible and using local services for the fabrication of the key reactor module.

Business Development

Interest in low-emission technologies continues to be very strong internationally across Europe, Asia and North America, with a significant focus on accelerating national decarbonisation plans and increased ambition to tackle climate change. This was a key focus for global leaders at the 47th G7 summit held in the UK in June and will remain a priority as they move towards the UN Climate Change Conference (COP26) in November.

We have seen increased engagement with 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.

This builds on our ongoing work with an increasing number of potential partners across Europe, Asia, North America and Australia to scope collaborative partnerships in markets where there is appetite for roll-out of industrial demonstration opportunities and policy environments that incentivise the early up-take of low carbon processes.

We continue to focus on identifying prospective early commercialisation opportunities for the Hazer process in these regions and across applications, including heavy manufacturing, steel production, power generation, and transport. The Company is in various stages of discussion – from enquiry, exchange of confidentiality agreements and various levels of due diligence - with over 20 major international companies across Europe, Japan, Asia, North America and Australia. These discussions are continuing, with the aim to progress towards securing the first generation of commercial opportunities that Hazer are seeking to build on the platform established by the CDP.

To support these key business development activities, the Company is progressing an engineering study with Chiyoda Corporation, which will update the Concept Study for a commercial scale Hazer Plant of a nominal 2,500 tpa capacity. This study progressed with the development of updated process flow diagrams, detailed technical modelling and development of equipment data-sheets.

This initial study will provide the platform to advance our discussions with interested Japanese parties and the potential collaborations with our European, Asian, North American, and Australian partners mentioned above. The completion of this study is expected in H1 FY2022.

A second study has commenced focussing on scale-up options to deliver larger scale, lower cost Hazer configurations targeted for heavy industrial applications, such as green steel, petrochemicals, ammonia, or fertiliser production. This study will investigate optimised reactor and furnace design to support larger scale Hazer Projects (nominally 5-10 ktpa or larger). The first phase of this study, undertaken with ProCom Engineers, has focussed on an initial evaluation of high temperature processes and integration with our proposed reactor design. Subsequent phases of this study will evaluate the cost, risks and operability of various selected designs, building on what has been learnt in the Hazer CDP.

We continue to target our previously outlined goal of maturing at least one potential project opportunity through to a feasibility study stage through 2H CY2021 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 in relation to graphite purification, characterisation and catalyst & graphite optimisation research.

During the quarter, Hazer continued to progress its 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.

Hazer is continuing to explore additional applications for our novel graphitic materials. We continue to be encouraged by the market potential for Hazer Graphite in a range of market segments in both purified and un-purified forms. The Hazer CDP will provide the first larger volume of graphite able to support these market development activities by delivering sufficient material to allow larger scale testing or trials with customers to build on the initial smaller scale samples testing undertaken during the pilot program.

Strategic Investment secured from AP Ventures.

During the quarter, the AP Ventures Fund II GP LLP (AP Ventures) invested \$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.

During the quarter, the Board welcomed 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 the 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.

Cashflow commentary

As at 30 June 2021, the Company had cash reserves of \$24.6 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. Following the close of the quarter, the Company successfully passed Milestone 2 of our ARENA Funding Program. Completion of this milestone will allow \$1.77 million of ARENA funds to be released from restriction. Achieving this milestone also reflects the positive ongoing relationship between Hazer and ARENA.

Hazer incurred net operating cash outflows of \$1.64 million during the quarter. Operating cash payments totalled \$1.75 million were offset by the receipt of \$0.102 million from the Western Australian State Government and Austrade for grant applications approved during the period.

Net operating payments included expenditure for research and development activities of \$0.63 million, staff costs (including research and development employees) of \$0.85 million, and corporate and administration fees totalled \$0.18 million. Financing costs of \$0.092 million related to borrowing costs incurred under the Company's loan facility held with Mitchell Asset Management.

Cash used for investing activities totalled \$3.19 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 \$4.09 million, comprising funds received from the issue of convertible note securities to AP Ventures Fund II GP LLP of \$4 million and borrowing proceeds of \$0.09 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

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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")

30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$ A'000	Year to date (12 months) \$ A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development ¹	(628)	(1,259)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs, including research and development staff	(849)	(2,945)
(f) administration and corporate costs	(181)	(1,352)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(92)	(162)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
- R&D tax rebate	0	951
- Other Government Grants & Rebates	52	119
- WA Government grant (Hydrogen Fund)	50	260
- ARENA grant	0	9,410
1.8 Other (provide details if material)		
- Net GST received / (paid)	3	1
1.9 Net cash from / (used in) operating activities	(1,644)	5,030

¹ Research and development expenditure in 1.2 (a) is expected to be eligible for the R&D tax incentive rebate.

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (12 months) \$ A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment ²	(3,194)	(6,557)
	(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	(3,194)	(6,557)
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	4,000	4,000
3.3	Proceeds from exercise of options	0	3,790
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(39)
3.5	Proceeds from borrowings	93	2,163
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	4,093	8,927

² Expenditure in 2.1(c) relates to the Commercial Demonstration Plant (Project) construction. Costs are expected to be eligible for the R&D tax incentive rebate when the asset becomes ready for use.

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (12 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	25,385	17,240
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,644)	5,030
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,194)	(6,557)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,093	8,927
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	24,640	24,640

5. Reconciliation of cash and cash equivalents	Current quarter \$ A'000	Previous quarter \$ A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	17,365	18,107
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
- Deposits for bank guarantees	85	88
- Restricted cash (ARENA grant)	7,190	7,190
- Restricted cash (Loan drawings)	0	0
5.5 Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	24,640	25,385

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 ³	177
6.2 Aggregate amount of payments to related parties and their associates included in item 2	0

³ Salary, Director's fees and superannuation paid to Directors (\$177k)

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 ⁴	5,550	1,212
7.2 Credit standby arrangements	0	0
7.3 Other – convertible notes issued ⁵	4,000	4,000
7.4 Total financing facilities	9,550	5,212

7.5 **Unused financing facilities available at quarter-end⁴** 4,338

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.

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 During the quarter, AP Ventures Fund II GP LLP received approval from the Foreign Investment Review Board (FIRB) for the investment of \$4 million and acquired 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 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)	(1,644)
8.2 Cash and cash equivalents at quarter-end (Item 4.6)	24,640
8.3 Unused finance facilities available at quarter-end (Item 7.5)	4,338
8.4 Total available funding (Item 8.2 + Item 8.3)	28,978
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	18

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: 26 July 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.