



1. Company details

Name of entity:	Hazer Group Limited
ABN:	40 144 044 600
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	51% to	578,730
Loss from ordinary activities after tax attributable to the owners of Hazer Group Limited	up	607% to	(13,021,261)
Loss for the half-year attributable to the owners of Hazer Group Limited	up	607% to	(13,021,261)
		31 Dec 2021	31 Dec 2020
		Cents	Cents
Basic and diluted loss per share		(8.49)	(1.33)
Diluted earnings per share		(8.49)	(1.33)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the company after providing for income tax amounted to \$13,021,261 (31 December 2020: \$1,842,655).

Refer to the company announcement on 24 February 2022 regarding the results for further information.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>8.58</u>	<u>13.42</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.



7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to review by the auditors, and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Hazer Group Limited for the half-year ended 31 December 2021 is attached.

9. Signed

Signed

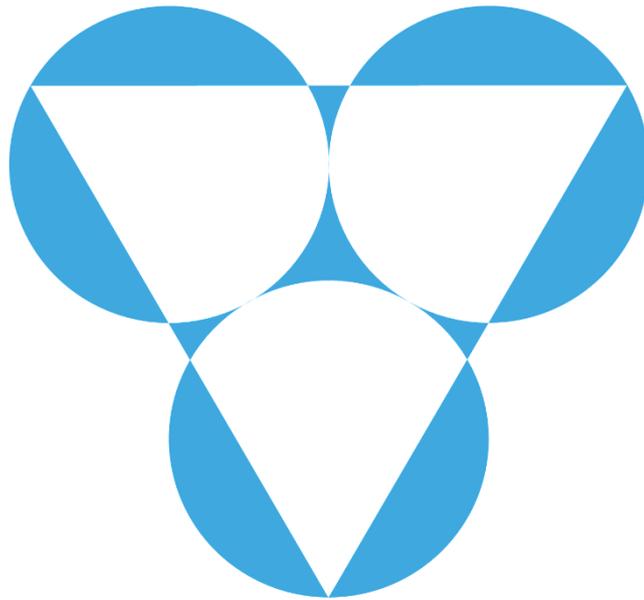
Geoff Ward
Managing Director

Date: 24 February 2022

Hazer Group Limited

ABN 40 144 044 600

Interim Report – 31 December 2021



Hazer Group Limited
Corporate directory
For the half-year ended 31 December 2021



Directors	Tim Goldsmith (Non-Executive Chairman) Danielle Lee (Non-Executive Director) Andrew Hinkly (Non-Executive Director) Jack Hamilton (Non-Executive Director) (Appointed 1 November 2021) Andrew Harris (Non-Executive Director) (to 8 December 2021) Geoff Ward (Executive Director)
Company secretary	Romolo Santoro
Registered office	Level 9, 99 St Georges Terrace Perth WA 6000
Principal place of business	Level 9, 99 St Georges Terrace Perth WA 6000
Share register	Link Market Services Limited Level 12 QV1 Building, 250 St Georges Terrace Perth, WA 6000
Auditor	RSM Australia Partners Level 32, Exchange Tower, 2 The Esplanade Perth WA 6000
Solicitors	Lavan Legal Level 20/1 William St Perth WA 6000
Bankers	Commonwealth Bank of Australia 150 St Georges Terrace Perth WA 6000
Stock exchange listing	Hazer Group Limited shares are listed on the Australian Securities Exchange (ASX code: HZR)
Website	www.hazergroup.com.au
Corporate Governance Statement	https://hazergroup.com.au/investors/#corporategovernance

Hazer Group Limited

Directors' report

For the half-year ended 31 December 2021



The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2021.

Directors

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Tim Goldsmith
Geoff Ward
Danielle Lee
Andrew Hinkly
Jack Hamilton (appointed 1 November 2021)
Andrew Harris (to 8 December 2021)

Principal activities

During the financial half-year, the principal continuing activities of the company consisted of research and development of novel graphite and hydrogen production technology.

The company has intellectual property rights to a technology (the 'Hazer Process') which enables the production of hydrogen gas from the thermo-catalytic decomposition of methane (natural gas) with low carbon dioxide emissions and the co-production of a high-purity graphite product.

Review of operations

The loss for the company after providing for income tax amounted to \$13,021,261 (31 December 2020: \$1,842,655).

As an early stage company, the company's business model is highly dependent on the achievement of continued technical development success as well as future funding, customer engagement and general financial and economic factors.

The first half of 2022 financial year has been focused on the continued execution of Hazer's Commercial Development Project (CDP) to demonstrate the scalability of the Hazer Process – a key milestone in full commercialisation of the technology. Progress on the construction of the CDP has been strong and construction of the main structural frame as well as installation of pipe racks, piping, cladding, insulation scopes, valving and instrumentation as well as various mechanical equipment packages including CO₂ removal systems, the siloxane removal system, nitrogen and air utility compressors and the process chiller package is nearing completion.

In addition to the construction of the CDP, Hazer focused on building and maintaining its relationship with strategic partners across Asia, Europe and North America and the role it can play in the future decarbonisation of heavy industries such as steels mills and manufacturing.

Hazer completed a concept study with Chiyoda Corporation for a commercial scale Hazer Plant of a nominal 2,500 tpa capacity. The study indicated a capital cost of A\$55 - \$60 million, with additional cost improvement opportunities highlighted for further investigations.

Work we did with prospective customers looking to use hydrogen as a clean fuel, to decarbonise grid applications, and other industrial applications, identified potential alternative process configurations for the Hazer Process that may allow us to reduce the capital costs of such integrated plants further again. This offers a prospective way of developing early-stage commercial opportunities that would not rely on the development of specialist hydrogen applications such as transport.

Other R&D highlights from the half included the completion of Phase 1 of the R&D investigation of a novel clean purification technique to purify Hazer Graphite to 99%+ purity and extension of the agreement with the Innovative Manufacturing Co-operative Research Centre to continue this R&D work program.

The company remains in a strong position as it heads into the second half of the financial year and remains encouraged by the market potential for Hazer Graphite in a range of market segments in both purified and unpurified 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.

The company's cash and cash equivalents were \$27,925,320 as at 31 December 2021 (30 June 2021: \$24,640,090) and net assets at 31 December 2021 were \$13,990,374 (30 June 2021: \$13,316,270). The company's cash includes \$5,420,000 of cash that is restricted from use by the company until certain conditions are satisfied.

The Company spent \$9,346,093 on the Commercial Demonstration Project (CDP) in the current reporting period to the end of 31 December 2021 (\$1,849,387: 31 December 2020).

Loss from ordinary activities after tax was \$13,021,261 for the half-year ending 31 December 2021 (31 December 2020 - \$1,842,655). The increased loss of \$11,178,606 was primarily due to the impairment of the Commercial Demonstration Plant (CDP) of \$9,346,093 (31 December 2020 - \$nil), which has been expensed to the profit and loss in line with the Australian accounting standard AASB 136 Impairment of Assets. Most of this impaired amount is expected to be eligible for a research and development tax incentive rebate in future years



The Company's total operating expenditure, including administration, consulting, research and development, and employee expenses and finance costs, increased by 63% to \$4,098,864 (31 December 2020: \$2,509,625). Increases in operating expenses predominantly related to increased finance costs of \$380,705 (31 December 2020: \$54,142) attributable to costs associated with a loan facility with Mitchell Asset Management; increased consulting and research expenditure \$1,486,474 (31 December 2020: \$799,777) primarily attributable to expenditure for engineering studies with Chiyoda Corporation for a commercial scale Hazer Plant of a nominal 2,500 tpa capacity; administration expenses \$685,294 (31 December 2020: \$557,827) mainly due to increases in insurance premiums and higher share registry costs associated with having much larger shareholder numbers; and employee benefits expenditure \$1,486,474 (31 December 2020: \$1,097,879) due to additional staff employed to conduct engineering activities related to the Commercial Demonstration Plant, along with the accompanying corporate functions.

The net operating cash outflows to 31 December 2021 was \$1,345,369, compared to an inflow for the period ending 31 December 2020 of \$8,763,018, the key difference being the receipt of the ARENA grant funding receipt of \$9,410,000 received in relation to the Commercial Demonstration Plant Project. Other cash inflows included the research and development tax incentive rebate of \$1,326,917 (31 December 2020: \$951,463). The Australian Federal Government's R&D Tax Incentive program provides a cash refund on eligible research and development activities performed by Australian companies and is an important program that strongly supports Australian innovation.

Investing cash outflows totalled \$9,588,150 to the end of 31 December 2021 (31 December 2020: \$1,730,177), predominantly related to capital costs associated with the Hazer Commercial Demonstration Plant.

Financing cash inflows from equity raisings increased by 215% to \$13,573,764 (31 December 2020: \$3,520,912) with a total of 17,562,392 shares issued to the end of the half-year.

Net proceeds from borrowings during the period from Senior Secured Loan Facility held with Mitchell Asset Management amounted to \$673,082 (31 December 2020: \$1,048,537).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial half-year.

Matters subsequent to the end of the financial half-year

- The impact of the Coronavirus (COVID-19) pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the COVID-19 pandemic, we have seen significant disruptions to the Commercial Demonstration Project through restrictions on travel, ability to access suppliers, disruption to supply chains and logistics and competition for resources. As we complete the construction of the Hazer CDP and move into commissioning, we will continue to be subject to the risk of further disruptions, the extent and timing of which it is not possible to estimate at this time, and which will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.
- In December 2021 the Company advised that a defect was identified in the reactor vessel being manufactured in China for the Hazer CDP Project, resulting in the reactor vessel being unsuitable for use. The Company then provided an update on 20 January 2022, that the Company, supplier (FFF Australia) and the manufacturing mill in China, with the support of independent experts, reviewed the cause of the manufacturing failure and determined improvements to the proposed manufacturing method and scope. Amongst other changes, the reactor vessel would be reduced in size and would be manufactured in two sections and welded together in the final fitting.

The reduction in forging length would reduce the risk of the manufacturing defect encountered in the first manufacture being repeated. The Company has approved the remaking of the reactor vessel and expects the reactor will be completed and shipped for delivery to Australia around July 2022, approximately 6 months later than the original schedule.

- In February 2022, the Company advised that it has executed a Memorandum of Understanding (MOU) with Suncor Energy Inc. and FortisBC Energy Inc. to develop a 2,500 tpa low-carbon emission hydrogen production facility based on the Company's Technology.

The proposed Hydrogen Project (Project) will process natural gas feedstock to produce 2,500 tpa low-carbon emission hydrogen and approximately 9,000 tonnes of synthetic graphite by-product.

Under the MOU, Hazer, Suncor and FortisBC have agreed to work collaboratively to develop the Project through; (i) an initial Feasibility Study, (ii) securing funding arrangements for the Project, and (iii) to conclude the binding agreements necessary to establish the Project consortium and implement the Project. Suncor will lead the development of the Project through the initial feasibility study, engineering, and construction phases of the Project, and on completion, will operate the facility. FortisBC will supply natural gas feedstock to the Project and will purchase the hydrogen produced from the facility. Hazer will supply the Hazer Process technology, lead engineering relating to the core Hazer technology components, and manage supply of catalyst to the Project.

The initial high-level schedule for the Project targets a final investment decision (FID) in 2023, with operations targeted to commence in 2025.

Hazer Group Limited
Directors' report
For the half-year ended 31 December 2021



No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Geoff Ward', written over a horizontal line.

Geoff Ward
Managing Director

24 February 2022



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hazer Group Limited for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 24 February 2022

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Hazer Group Limited

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General information

The financial statements cover Hazer Group Limited as an individual entity. The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

Hazer Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9, 99 St Georges Terrace
Perth WA 6000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



	31 Dec 2021	31 Dec 2020
	\$	\$
Revenue		
Interest received	2,473	5,858
R&D tax rebate	511,543	951,463
Grant income	50,000	150,000
Other income	14,714	67,500
Total revenue	<u>578,730</u>	<u>1,174,821</u>
Expenses		
Administration	(685,294)	(557,827)
Consulting and research expenses	(1,486,474)	(799,777)
Employee benefits expenses	(1,546,391)	(1,097,879)
Share based payments	(121,602)	(485,286)
Finance costs	(380,705)	(54,142)
Depreciation and amortisation expense	(33,432)	(22,565)
Impairment expense on commercial demonstration plant	(9,346,093)	-
Loss before income tax expense	(13,021,261)	(1,842,655)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of Hazer Group Limited	(13,021,261)	(1,842,655)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income for the half-year attributable to the owners of Hazer Group Limited	<u>(13,021,261)</u>	<u>(1,842,655)</u>
	Cents	Cents
Basic and diluted loss per share	(8.49)	(1.33)
Diluted earnings per share	(8.49)	(1.33)

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Hazer Group Limited
Statement of financial position
As at 31 December 2021



	Note	31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents	2	27,925,320	24,640,090
Trade and other receivables	3	830,928	1,532,017
Other current assets	4	212,106	246,330
Total current assets		<u>28,968,354</u>	<u>26,418,437</u>
Non-current assets			
Plant and equipment		15,857	13,447
Commercial demonstration plant	5	-	-
Leases - Right-of-use assets		162,492	29,119
Total non-current assets		<u>178,349</u>	<u>42,566</u>
Total assets		<u>29,146,703</u>	<u>26,461,003</u>
Liabilities			
Current liabilities			
Trade and other payables	6	2,637,877	1,810,909
Provisions		164,678	164,678
Contract liabilities	7	3,920,000	3,920,000
Leases		49,804	18,386
Borrowings	8	2,106,929	1,211,813
Convertible note liability and derivative	9	4,150,918	4,000,000
Total current liabilities		<u>13,030,206</u>	<u>11,125,786</u>
Non-current liabilities			
Contract liabilities	7	1,500,000	1,500,000
Leases		96,123	8,947
Provisions		530,000	510,000
Total non-current liabilities		<u>2,126,123</u>	<u>2,018,947</u>
Total liabilities		<u>15,156,329</u>	<u>13,144,733</u>
Net assets		<u>13,990,374</u>	<u>13,316,270</u>
Equity			
Issued capital	10	56,889,182	40,774,126
Reserves	11	2,837,465	6,643,064
Equity – Accumulated losses	12	(45,736,273)	(34,100,920)
Total equity		<u>13,990,374</u>	<u>13,316,270</u>

The above Statement of financial position should be read in conjunction with the accompanying notes

Hazer Group Limited
Statement of changes in equity
For the half-year ended 31 December 2021



	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	34,128,809	7,185,964	(23,301,222)	18,013,551
Loss after income tax expense for the half-year	-	-	(1,842,655)	(1,842,655)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,842,655)	(1,842,655)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,356,051	(2,834,272)	-	3,521,779
Shares issued pursuant to the exercise of options	-	485,286	-	485,286
Transfer expired options to accumulated losses	-	(856,396)	856,396	-
Balance at 31 December 2020	40,484,860	3,980,582	(24,287,481)	20,177,961
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	40,774,126	6,643,064	(34,100,920)	13,316,270
Loss after income tax expense for the half-year	-	-	(13,021,261)	(13,021,261)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(13,021,261)	(13,021,261)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	13,502,262	-	-	13,502,262
Shares issued pursuant to the exercise of options	-	(2,541,293)	-	(2,541,293)
Share-based payments	2,612,794	121,602	-	2,734,396
Transfer expired options to accumulated losses	-	(1,385,908)	1,385,908	-
Balance at 31 December 2021	56,889,182	2,837,465	(45,736,273)	13,990,374

The above Statement of changes in equity should be read in conjunction with the accompanying notes

Hazer Group Limited
Statement of cash flows
For the half-year ended 31 December 2021



	31 Dec 2021	31 Dec 2020
	\$	\$
Cash flows from operating activities		
ARENA grant income received (inclusive of GST)	-	10,351,000
Payments to suppliers and employees	(2,738,429)	(2,694,657)
Research & development tax rebate received	1,326,917	951,463
Interest received	2,473	5,858
Interest and other finance costs paid	(1,044)	(646)
Grant & rebate income received	50,000	150,000
Other income received	14,714	-
	<u>14,714</u>	<u>-</u>
Net cash from/(used in) operating activities	(1,345,369)	8,763,018
Cash flows from investing activities		
Payments for commercial demonstration plant	(9,573,980)	(1,730,177)
Other property plant and equipment	(11,525)	-
Interest and other finance costs paid	(2,645)	-
	<u>(2,645)</u>	<u>-</u>
Net cash used in investing activities	(9,588,150)	(1,730,177)
Cash flows from financing activities		
Proceeds from issue of shares	14,000,000	-
Proceeds from exercise of share options, net of share issue costs	71,501	3,520,912
Share issue transaction costs	(497,737)	-
Proceeds from borrowings	2,000,000	2,000,000
Repayment of borrowings	(1,326,918)	(951,463)
Repayment of leases	(27,333)	(18,238)
Interest and other finance costs paid	(764)	(35,500)
	<u>(764)</u>	<u>(35,500)</u>
Net cash from financing activities	14,218,749	4,515,711
Net increase in cash and cash equivalents	3,285,230	11,548,552
Cash and cash equivalents at the beginning of the financial half-year	24,640,090	17,236,257
	<u>24,640,090</u>	<u>17,236,257</u>
Cash and cash equivalents at the end of the financial half-year	<u>27,925,320</u>	<u>28,784,809</u>

The above Statement of cash flows should be read in conjunction with the accompanying notes

Hazer Group Limited
Notes to the financial statements
For the half-year ended 31 December 2021



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Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Cash and cash equivalents

	31 Dec 2021	30 Jun 2021
	\$	\$
Cash at bank	22,224,098	19,135,183
Cash on deposit	281,222	84,907
Cash at bank – restricted	<u>5,420,000</u>	<u>5,420,000</u>
	<u><u>27,925,320</u></u>	<u><u>24,640,090</u></u>

Cash on deposit

The company has amounts held in term deposits with varying maturities. Amounts held in term deposits are predominantly for the purpose of fulfilling collateral and security requirements associated with lease arrangements and corporate credit card facilities held.

Cash at bank - restricted

The company has received grant funding from ARENA, an independent agency of the Australian federal government, to support the design, procurement, construction and operation of the commercial demonstration plant. To access the grant funding, the company must meet the operational and technical requirements of agreed funding milestones in a form acceptable to ARENA. This restricted cash represents the grant funding received where the milestone criteria are yet to be satisfied, and the funds are not yet freely available for use by the company.

At 31 December 2021, Hazer had available \$2,115,857 (2020: Nil) of undrawn committed borrowing facilities with Mitchell Asset Management.

Note 3. Trade and other receivables

	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current assets</i>		
GST refundable	319,384	205,099
R&D tax rebate receivable	<u>511,544</u>	<u>1,326,918</u>
	<u><u>830,928</u></u>	<u><u>1,532,017</u></u>

GST refundable

GST refundable relates to amounts receivable from the Australian Taxation Office (ATO) in relation to the GST portion paid or payable to trade creditors, which are claimable as input tax credits. GST refunds are generally received from the ATO in the following month, and no allowance for expected credit losses have been recognised in the period ended 31 December 2021.



Note 3. Trade and other receivables (continued)

R&D tax rebate receivable

R&D tax rebate receivable represents refundable tax offsets from the Australian Taxation Office (ATO) in relation to expenditure incurred in the current year for eligible research and development activities. Research and development activities are refundable at a rate of 43.5% for each dollar spent, subject to meeting certain eligibility criteria. Funds are expected to be received subsequent to the lodgement of the income tax return and research and development tax incentive schedule for the current financial year.

Note 4. Other current assets

	31 Dec 2021	30 Jun 2021
	\$	\$
Prepayments	197,906	238,327
Deposits	14,200	8,003
	<u>212,106</u>	<u>246,330</u>

Note 5. Commercial demonstration plant

	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Commercial demonstration plant	18,327,454	8,981,361
Commercial demonstration plant – restoration provision	510,000	510,000
Commercial demonstration plant – accumulated amortisation & impairment	(14,847,454)	(5,501,361)
Commercial demonstration plant – ARENA grant offset	(3,990,000)	(3,990,000)
Net book value for the period ended	<u>-</u>	<u>-</u>

	31 Dec 2021	30 Jun 2021
	\$	\$
Net book value		
At 1 July	-	1,051,871
- Additions	9,346,093	8,439,490
- ARENA grant - release of contract liability	-	(3,990,000)
- Amortisation	-	-
- Impairment	(9,346,093)	(5,501,361)
Net book value for the period ended	<u>-</u>	<u>-</u>

The Commercial Demonstration Plant (CDP) is a key stage in the development and scale up of the Hazer process. Development costs directly attributable to create, produce and prepare the CDP for the purpose intended by management is recognised as an intangible asset when the criteria under AASB 138 Intangible Assets are satisfied. The CDP has not been amortised as it is not yet ready for use.

Impairment of the Commercial Demonstration Plant

At 31 December 2021, the company performed its impairment test in relation to intangible assets not yet available for use and identified indicators of impairment in line with AASB 136 Impairment of Assets. At the test date, it was determined that due to the experimental nature of the CDP, future cash flows associated with operating the CDP asset over its expected useful life of 3 years are not expected to exceed potential revenue from the sale of hydrogen and graphite products. Key assumptions used in the value in use calculation are based on market rates for the cost of labour and feedstock required to operate the CDP, along with potential sale price for hydrogen & graphite products.

Accordingly, the Company has concluded that the recoverable amount of the asset derived through its value in use did not exceed the carrying amount, and an impairment charge was recognised for the difference.



Note 6. Trade and other payables

	31 Dec 2021	30 Jun 2021
	\$	\$
Accounts payable	2,573,301	1,746,167
Other payables	64,576	64,742
	<u>2,637,877</u>	<u>1,810,909</u>

Note 7. Contract liabilities

	31 Dec 2021	30 Jun 2021
	\$	\$
Current Contract liabilities	3,920,000	3,920,000
Non-current Contract liabilities	1,500,000	1,500,000
	<u>5,420,000</u>	<u>5,420,000</u>

The company has received grant funding from ARENA, an independent agency of the Australian federal government, to support the design, procurement, construction and operation of the commercial demonstration plant. To access the grant funding, the company must meet the operational and technical requirements of agreed funding milestones in a form acceptable to ARENA. Contract liabilities represent the grant funding received where the milestone criteria are yet to be satisfied and the funds are not yet available to the company.

Note 8. Borrowings

	31 Dec 2021	30 Jun 2021
	\$	\$
Current borrowings	<u>2,106,929</u>	<u>1,211,813</u>

The company has a \$4.2 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 past and future properties, proceeds or benefits of properties owned by Hazer under a general security deed. It has available a further drawdown of \$2 million after meeting project milestones contained in the loan agreement. The loan has a term up to 30 June 2025, with mandatory repayments expected from future R&D tax rebates, or set repayment amounts in February of each year.

At 31 December 2021, Hazer had \$2,115,857 available of undrawn committed borrowing facilities with Mitchell Asset Management.

Note 9. Convertible note liability and derivative

	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Convertible note liability	1,861,719	1,496,911
Convertible note derivative	2,289,199	2,503,089
	<u>4,150,918</u>	<u>4,000,000</u>

Hazer Group Limited
Notes to the financial statements
For the half-year ended 31 December 2021



Note 9. Convertible note liability and derivative (continued)

At 31 December 2021, the Company had 4,000,000 notes on issue to AP Ventures Fund II GP LLP as unlisted, unsecured Convertible Notes with a face value of \$1 each. The Convertible Notes can be converted into Hazer ordinary shares between 30 November 2021 and 12 April 2026. If the Notes are converted, the conversion price will be, the higher of \$0.20 cents per share and the 5-day volume-weighted average price of Hazer Shares at the time of conversion.

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.

The conversion feature of the Notes have been recognised at fair value as a convertible note derivative.

Note 10. Equity - issued capital

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	162,897,194	145,334,802	56,889,182	40,774,126

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Opening Balance	1 July 2020	136,259,802		34,128,809
Issue of shares on exercise of Series B Options	13 October to 30 December 2020	8,875,000	\$0.40	3,550,000
Transfer of Series B options from options reserve	13 October to 30 December 2020	-	\$0.00	2,834,273
Issue of shares on exercise of Series K Options	4 February 2021	200,000	\$1.20	240,000
Transfer of Series K options from options reserve	4 February 2021	-	\$0.00	52,627
Share issue transaction costs, net of tax	30 June 2021	-	\$0.00	(31,583)
Closing balance	30 June 2021	145,334,802		40,774,126
Share placement	8 October 2021	7,608,696	\$0.92	7,000,000
Share purchase plan	1 November 2021	7,608,696	\$0.92	7,000,000
Issue of shares on exercise of Series K Options	1 November 2021	10,000	\$1.20	12,000
Issue of shares on exercise of Series M Options	1 November 2021	85,000	\$0.70	59,500
Issue of shares on exercise of Series O Options	14 December 2021	2,250,000	\$0.00	1
Transfer of Series K options from options reserve		-	\$0.00	4,212
Transfer of Series M options from options reserve		-	\$0.00	17,080
Transfer of Series O options from options reserve		-	\$0.00	2,520,000
Share issue transaction costs, net of tax		-	\$0.00	(497,737)
Closing balance	31 December 2020	<u>162,897,194</u>		<u>56,889,182</u>

Hazer Group Limited
Notes to the financial statements
For the half-year ended 31 December 2021



Note 11. Equity - reserves

Option reserve

The option reserve records items recognised as expenses on the valuation of share options.

	Number of Options	Value \$
Balance at 1 July 2020	17,050,000	6,643,064
<i>Options exercised - Series K</i>	(10,000)	(4,212)
<i>Options exercised - Series M</i>	(85,000)	(17,081)
<i>Options exercised - Series O</i>	(2,250,000)	(2,520,000)
Options lapsed during the period - Series K	(3,290,000)	(1,385,908)
Existing options issued in prior periods vesting over multiple periods	-	121,602
	<u>11,415,000</u>	<u>2,837,465</u>
Balance at 31 December 2021	<u>11,415,000</u>	<u>2,837,465</u>

Note 12. Equity – Accumulated losses

	31 Dec 2021 \$	30 Jun 2021 \$
Accumulated losses at the beginning of the financial half-year	(34,100,920)	(23,301,222)
Loss after income tax expense for the half-year	(13,021,261)	(11,656,095)
Transfer from options reserve to accumulated losses	1,385,908	856,397
	<u>(45,736,273)</u>	<u>(34,100,920)</u>
Accumulated losses at the end of the financial half-year	<u>(45,736,273)</u>	<u>(34,100,920)</u>

Note 13. Contingent assets and liabilities

The company does not have any contingent assets and liabilities at 31 December 2021 (2020: Nil).

Note 14. Segment information

The company has considered the requirements of AASB8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision-makers) in assessing performance and determining the allocation of resources.

The company operates as a single segment being research and development of novel graphite-and-hydrogen-production technology. There is no difference between the audited financial report and the internal reports generated for review. The company is domiciled in Australia and is currently in the development phase and hence has not begun to generate revenue from operations. All the assets are located in Australia.

Note 15. Commitments

Committed at the reporting date but not recognised as liabilities:



Note 15. Commitments (continued)

	31 Dec 2021	30 Jun 2021
	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research collaboration agreement:</i>		
Within one year	256,187	175,000
Later than 1 year but not later than 5 years	-	-
	<u>256,187</u>	<u>175,000</u>
<i>Construction of Commercial Demonstration Plant:</i>		
Within one year	4,576,673	8,590,317
Later than 1 year but not later than 5 years	-	-
	<u>4,576,673</u>	<u>8,590,317</u>
<i>Research development</i>		
Later than 1 year but not later than 5 years	69,502	-
	<u>69,502</u>	<u>-</u>
	<u>4,902,362</u>	<u>8,765,317</u>

Note 16. Events after the reporting period

- The impact of the Coronavirus (COVID-19) pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the COVID-19 pandemic, we have seen significant disruptions to the Commercial Demonstration Project through restrictions on travel, ability to access suppliers, disruption to supply chains and logistics and competition for resources. As we complete the construction of the Hazer CDP and move into commissioning, we will continue to be subject to the risk of further disruptions, the extent and timing of which it is not possible to estimate at this time, and which will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.
- In December 2021 the Company advised that a defect was identified in the reactor vessel being manufactured in China for the Hazer CDP Project, resulting in the reactor vessel being unsuitable for use. The Company then provided an update on 20 January 2022, that the Company, supplier (FFF Australia) and the manufacturing mill in China, with the support of independent experts, reviewed the cause of the manufacturing failure and determined improvements to the proposed manufacturing method and scope. Amongst other changes, the reactor vessel would be reduced in size and would be manufactured in two sections and welded together in the final fitting. The reduction in forging length would reduce the risk of the manufacturing defect encountered in the first manufacture being repeated. The Company has approved the remaking of the reactor vessel and expects the reactor will be completed and shipped for delivery to Australia around July 2022, approximately 6 months later than the original schedule.
- In February 2022, the Company advised that it has executed a Memorandum of Understanding (MOU) with Suncor Energy Inc. and FortisBC Energy Inc. to develop a 2,500 tpa low-carbon emission hydrogen production facility based on the Company's Technology.

The proposed Hydrogen Project (Project) will process natural gas feedstock to produce 2,500 tpa low-carbon emission hydrogen and approximately 9,000 tonnes of synthetic graphite by-product.

Under the MOU, Hazer, Suncor and FortisBC have agreed to work collaboratively to develop the Project through; (i) an initial Feasibility Study, (ii) securing funding arrangements for the Project, and (iii) to conclude the binding agreements necessary to establish the Project consortium and implement the Project. Suncor will lead the development of the Project through the initial feasibility study, engineering, and construction phases of the Project, and on completion, will operate the facility. FortisBC will supply natural gas feedstock to the Project and will purchase the hydrogen produced from the facility. Hazer will supply the Hazer Process technology, lead engineering relating to the core Hazer technology components, and manage supply of catalyst to the Project.

The initial high-level schedule for the Project targets a final investment decision (FID) in 2023, with operations targeted to commence in 2025.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Hazer Group Limited
Directors' declaration
For the half-year ended 31 December 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Geoff Ward
Managing Director

24 February 2022



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HAZER GROUP LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hazer Group Limited, which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hazer Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hazer Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hazer Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM
RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 24 February 2022