

APPENDIX 4C – 30 JUNE 2022 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *Completion of construction and commissioning activities at the Hazer Commercial Demonstration Project (CDP) located at Woodman Point, Western Australia.*
- *Burrard Hazer Hydrogen project progressed past initial Pre-feasibility Study successfully and commenced Front-End Engineering & Design (FEED) studies.*
- *C\$8 million of funding secured from government of British Columbia to support development of the Burrard Hazer Hydrogen Project to final investment decision milestone (FID).*
- *Award of first patent in USA with receipt of Notice of Allowance for Application No. 15/563430 "A Process for producing hydrogen and graphitic carbon from hydrocarbons"*
- *CEO succession plan implemented with appointment of Mr Glenn Corrie as Chief Executive Officer replacing current Chief Executive Officer, Mr Geoff Ward, effective 10 October 2022.*
- *Strong funding position maintained with \$18 million cash at 30 June 2022.*

PERTH, AUSTRALIA; 28 July 2022: Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the three-month period ended 30 June 2022.

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant Update

During the Quarter, Hazer was delighted to achieve the completion of construction and commissioning activities at the Hazer Commercial Demonstration Project (CDP) located at Woodman Point, Western Australia, with the introduction of first biogas feedgas of the plant occurring on 28 June.

The Hazer Commercial Demonstration Project is the first fully integrated demonstration of the Hazer Process. The facility will process biogas produced from the treatment of wastewater at the Woodman Point Water Recovery Facility to produce hydrogen and graphite. The CDP is a key step in demonstrating the scale-up and commercial potential of the Hazer technology, a world leading example of methane pyrolysis, a low emission and cost-effective method to produce clean hydrogen.

Since completion of construction and commissioning by our engineering and construction contractor Primero, operations at the plant have been handed over to the Hazer operations team and our operations & maintenance contractor, Valmec. During the next quarter, the Hazer operations team will progress a series of planned cold operations trials covering fluidisation, gas conditioning, solids handling, process control, and integration of safety and utilities systems. This phase will deliver initial process data to de-risk the start-up of the second testing phase, which will commence after the completion of the fabrication and installation of the Hazer hot-wall reactor and associated high-temperature equipment.

During the quarter construction of the hot-wall reactor, vessel materials were advanced at the manufacturing mill in China. The reactor vessel has progressed through first and second forging stages and associated quality assurance processes. Final rolling of the materials, quality testing and dispatch to Australia for detailed fabrication and fitting is expected to be completed in the current quarter (i.e. 1Q FY2023).

The schedule for delivery of the reactor vessel remains subject to some uncertainty due to the current congested shipping and freight situation around the Shanghai area. The Company is continuing to monitor this closely.

Subsequent to the end of the quarter, Hazer advised shareholders that a critical failure had occurred while undertaking heat-treatment of the high-temperature heat-exchanger in Australia. The fabricator's representatives have attended the site to assess the situation and collect data to evaluate the cause of the failure and are working to determine a rectification plan and options to complete the manufacture of the heat exchanger.

The heat-exchanger is required for the second phase of the CDP testing program when the hot reactor is installed. While the exact schedule impact is not yet known, the failure of the heat-exchanger is expected to defer the production of hydrogen and graphite from the current target of end 2022 to sometime in 2023.

Hazer will investigate remedies available under the relevant contract terms and our insurances and any methods available to mitigate these impacts and update shareholders on any revisions to the schedule or budget as soon as possible.

Business Development Activities

During the quarter, Hazer continued to work closely with our collaboration partners Suncor Energy Inc and Fortis BC Energy inc to progress activities on the Burrard Hazer Hydrogen Project.

The proposed project will be located at Suncor Energy's Burrard Terminal site located in Port Moody, British Columbia. When established the project will process natural gas feedstock to produce 2,500 tpa low-carbon emission hydrogen and approximately 9,000 tonnes of synthetic graphitic carbon by-product. The initial high-level schedule for the project targets a final investment decision (FID) in 2023, with operations targeted to commence in 2025.

In April, the project secured up to C\$8 million of grant funding from the province of British Columbia via the CleanBC Innovation Acceleration Program. Funds will be used to support the pre-FID activities of the project, including the initial feasibility study, front-end engineering and design (FEED) studies, permitting applications and studies, and the assessment of capacity to blend produced hydrogen into the Fortis BC natural gas system.

The grant funding will also include activities related to advancing the Hazer technology, which will build on the work undertaken for the Hazer Commercial Demonstration Project. These include detailed design for the 2,500 tpa scale reactor and the construction and testing of a prototype version of this reactor at the Burrard project site. The total budget for the pre-FID works is estimated to be C\$11.25 million.

Geoff Ward, Chief Executive Officer of Hazer Group said, "We are delighted to work with the government of British Columbia, as well as Suncor Energy and FortisBC, on this exciting project. Emerging technologies such as the Hazer Process will play a critical role in the successful transition to a low-carbon economy. The support of the government of British Columbia is greatly appreciated as we accelerate the development of the Hazer technology."

In June, the initial Pre-Feasibility Study, undertaken by independent engineering contractor, Wood plc, was completed and presented to the participants. The project participants approved the project progression, including the commencement of Front-End Engineering and Design (FEED) study works and the various detailed engineering works to be carried out by Hazer covering the detailed engineering for the new 2,500 tpa reactor and the development of the prototype of this reactor to be installed at Burrard for testing prior to the full project development.

In addition to the positive developments in Canada under our MOU with Suncor Energy Inc and Fortis BC Energy Inc, Hazer is continuing to see strong and sustained interest in our Hazer technology across Europe and Asia.

During the quarter, work commenced on a Pre-Feasibility study on the development of a hydrogen production facility based on the Hazer Process technology in France and integration of this technology with an existing LNG import and re-gasification terminal. This study is being carried out with ENGIE SA, a French multinational utility company headquartered in Paris, under the terms of a non-binding Memorandum of Understanding covering collaboration on technical exchange, due diligence and market enquiries.

With the normalisation of business travel progressing, Hazer management also undertook our first visit to Japan since the onset of the Covid-19 pandemic in early 2020. Over the last two years, we have continued to work closely with Chiyoda Corporation to grow awareness and interest in the Hazer technology with potential customers in Japan. Interest in the Hazer technology continues to strengthen as a means to reduce emissions in difficult to decarbonise sectors such as utilities, heavy industry, chemical and steel. During the visit, interest was expressed by parties across these sectors, and we continue to consider this a very prospective market for our technology.

Technology Development

As part of advancing the Hazer Process technology and aligned with our commitments to the Burrard Hazer Hydrogen Project, during the quarter, we entered into a contract with Hatch to provide engineering services to support the detailed design of the future commercial scale Hazer reactor, and the development of a prototype of this reactor to be installed and tested at the Burrard project site.

Hatch is a global engineering company headquartered in Canada and with a significant presence in Australia. With over 9,000 employees worldwide, Hatch is a global leader in the design of high-temperature fluidised beds, having developed many such units for pyro-metallurgical applications in the mining and energy industries. We are delighted to work with Hatch to develop the detailed design of the mark II reactor that will be based on easier to fabricate and lower cost carbon steel and refractory materials, replacing the high-temperature alloys being utilised in the Hazer pilot plant and the current Commercial Demonstration Project reactor.

Research & Development Activities

During the quarter, Hazer continued to progress with R&D studies under our arrangement with the Innovative Manufacturing Cooperative Research Centre. Our contract with the IMCRC has been extended until the end of 2022, allowing us to continue the current phase of R&D activities while we undertake a review of future R&D priorities and goals.

Subsequent to the end of the quarter, Hazer was advised that we had secured our first award of a patent in the USA with receipt of a Notice of Allowance for our patent Application No. 15/563430 "A Process for producing hydrogen and graphitic carbon from hydrocarbons". This is excellent news and continues our success in prosecuting our intellectual property protection strategy through a combination of patent protections, trade secrets and know-how.

CEO Succession Plan & Retirement of Director

As part of a planned succession process, Mr Glenn Corrie has been appointed as the new Chief Executive Officer of Hazer Group, commencing in this role from 10 October 2022. This process was instigated by the Board and the current Chief Executive Officer, Mr Geoff Ward, focussing on how best to meet the leadership needs of Hazer as it embarks on its next growth phase.

Mr Corrie is a proven business leader and senior executive with over 25 years of international energy industry, private equity and investment experience, and a track record of successfully leading large listed and private equity backed companies. He brings substantial capital markets experience across the equity and debt markets as well as extensive global M&A experience across Asia, China, Africa, Latin America, US and Europe. Mr Corrie has held senior positions with Staatsolie, NEO Energy, Sino Gas and Energy, Ophir Energy PLC and Temasek Holdings Ltd. From 1998-2010 he held a variety of senior positions with Shell International and holds an honours degree in geophysics and an MBA from the University of Chicago- Booth School of Business.

As part of the planned CEO transition, current Chief Executive Officer, Mr Geoff Ward, has resigned as a director of Hazer Group Limited effective from 1 July 2022. Mr Ward will continue in his role as Chief Executive Officer through the identified transition period and will continue to lead the activities of the Company as the handover to Mr Corrie is completed".

Cashflow commentary

As of 30 June 2022, the Company had cash reserves of \$18.0 million, including \$5.4 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 \$1.34 million during the quarter.

Net operating payments included expenditure for research and development activities of \$0.21 million, staff costs (including research and development employees) of \$0.80 million, and corporate and administration fees totalled \$0.36 million. Financing costs of \$0.10 million related to borrowing costs incurred under the Company's loan facility held with Mitchell Asset Management.

Cash used for investing activities totalled \$2.5 million, incurred on the CDP for engineering and key equipment packages. When the asset becomes ready for use, these costs are expected to be eligible for the R&D tax incentive rebate.

During the quarter, net cash inflows from financing activities were \$0.6 million, comprising \$0.5 million from the exercise of options, and proceeds from borrowings of \$0.1 million.

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 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 2022

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	0	15
1.2	Payments for		
	(a) research and development ¹	(214)	(1,787)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(802)	(3,061)
	(f) administration and corporate costs	(359)	(1,810)
1.3	Dividends received (see note 3)		
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid	(98)	(421)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
	- R&D tax rebate	0	1,327
	- WA Government grant (Hydrogen Fund)	0	50
1.8	Other (provide details if material)		
	- Net GST received / (paid)	128	62
	- Security deposits paid	0	(6)
1.9	Net cash from / (used in) operating activities	(1,342)	(5,625)

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:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment ²	(2,490)	(16,142)
	(j) investments		
	(k) intellectual-property		
	(l) other non-current assets	0	(12)
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	(2,490)	(16,154)
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.			
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares (excluding convertible debt securities)	0	14,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	500	572
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(498)
3.5	Proceeds from borrowings	98	2,424
3.6	Repayment of borrowings	0	(1,327)
3.7	Transaction costs related to loans and borrowings	0	(3)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	598	15,168

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	21,263	24,640
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,342)	(5,625)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,490)	(16,154)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	598	15,168
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	18,029	18,029

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	12,326	15,562
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	281	281
	- Restricted cash (ARENA grant)	5,422	5,420
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	18,029	21,263

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	117
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 (\$117k)

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	4,500	2,309
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued ⁵	2,667	2,667
7.4	Total financing facilities	7,167	4,976

7.5 **Unused financing facilities available at quarter-end⁴** 2,191

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 \$4.5 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 12% 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 one further drawdown of \$2 million 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 In April 2021, 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.

The Convertible Notes (Notes) were issued in April 2021 and can be converted into Hazer ordinary shares between 30 November 2021 to 12 April 2026. In June 2022, \$1.33M convertible notes were converted to shares.

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)	(1,342)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	18,029
8.3	Unused finance facilities available at quarter-end (Item 7.5)	2,191
8.4	Total available funding (Item 8.2 + Item 8.3)	20,220
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1) ⁶	15

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: 28 July 2022

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.