

APPENDIX 4C – 31 DECEMBER 2022 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *The Commercial Demonstration Plant (CDP) is progressing on schedule to start-up in 2H 2023 following procurement activities to expedite the delivery of a replacement heat exchanger and reactor.*
- *Two reactor technology options are being developed with world-class suppliers mitigating risk to CDP start-up and accelerating technology development.*
- *Hazer signed a MOU with Mitsui to jointly investigate the potential markets for the application of Hazer's graphitic carbon.*
- *Studies for the Burrard 2,500tpa plant are progressing well in close collaboration with partners Suncor/Fortis*
- *The Gas Supply Agreement and Collaboration Deed previously agreed with Water Corporation has been extended to 30 June 2026 on the same terms and conditions.*
- *Hazer continued discussions with key stakeholders in selected countries in Asia, North America, and Europe regarding the development of potential partnerships that would contribute to the future growth of the company.*
- *Hazer maintains a robust funding position with ~\$12.5 million cash at 31 December 2022. R&D tax incentive claim was advanced during the quarter.*

PERTH, AUSTRALIA; 30 January 2023: 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 31 December 2022.

Discussing quarterly results, Hazer Group CEO Glenn Corrie said: "2022 was a year of consolidation for Hazer and despite some operational challenges we have laid a strong foundation for 2023. I'm confident having now spent 3 months with the team and engaging with a cross-section of stakeholders and strategic partners worldwide that Hazer is at the forefront of technology leadership and gaining serious traction particularly with industrial groups operating in hard-to-abate sectors requiring a low-cost solution critical to reducing carbon emissions."

He continues: "Hydrogen is an enabler for the energy transition and the Hazer Process is a game-changing decarbonization technology in this space with strong validation as demonstrated by the partnerships we are developing in North America with Suncor and Fortis and by joining forces with Mitsui, to explore the market for our Hazer graphite. 2023 is shaping up to be a transformational year for Hazer and I and the team are focused on driving forward our strategic agenda aimed at unlocking the full value of our technology for shareholders."

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant ("CDP") Update

As previously announced, the Company confirms that the Commercial Demonstration Plant is on schedule to start-up the second phase of its operations ('hot operations') to produce hydrogen and graphitic carbon in H2 2023. The key enabler for the transition to hot operations from current first phase testing operations is the delivery and installation of the reactor and heat exchanger equipment. This equipment has received significant attention from the Hazer team during the quarter to be ready for second phase start-up (Ready for Start Up / RFSU) in H2 2023.

During this quarter the Hazer operations team continued to systematically progress the first phase testing program and troubleshooting of the front end of the process up to the Hazer reactor. This phase is delivering initial process data to de-risk and prepare for the start-up of the hot operations phase, which will commence after the completion of the fabrication and installation of the Hazer reactor and associated high-temperature equipment. Primero have now been engaged to carry out the engineering works to install the equipment for the hot operations.

Following the announcement of 21 July 2022 and the root cause analysis of previous material failures, replacement heat exchanger equipment was ordered with Special Metals Wiggin, a world leader in the invention, production, and supply of high-nickel alloys for critical engineering. Hazer visited the production facility in the UK to meet with the suppliers to discuss lessons learnt from the previous material failure and to agree technical specification and commercial terms. All replacement materials are expected ex-works in early H2 2023 to allow fabrication of the equipment and subsequent installation in the CDP.

Hazer has also developed multiple reactor technology options and now engaged two highly qualified tier-1 suppliers so alternative reactor technologies will be available for CDP start-up and operation, risk mitigation and to accelerate ongoing technology development required for the commercial phase of scale-up.

Forgiatura Morandini ("FM"), a leading industrial engineering group has been engaged to supply specialised materials for the existing hot-wall reactor design which was initially being fabricated in China. The ingot used for base material for all the reactor forgings has been ordered with the steel maker. FM's manufacturing and quality documentation relating to the forging has been agreed to allow manufacturing to commence.

Concurrently, the Company is developing an alternative reactor design with global engineering leader, Hatch, similar to the improved technology concept being adopted for the Burrard Project being progressed in Canada. This reactor is not only an alternative but would allow Hazer to gain valuable knowledge as a base model for future commercial scale-up. Activities are progressing as planned and align with the CDP schedule requirements for H2 2023.

As firm progress is being made on two alternative reactors with reputable suppliers the contract with the previous reactor material supplier was cancelled per the terms of the agreement during the quarter due to equipment being unlikely to meet the required material and schedule specification.

Hazer is also pleased to report that the Gas Supply Agreement and Collaboration Deed previously agreed with Water Corporation has been extended to 30 June 2026 on the same terms and conditions as before¹.

Burrard-Hazer Hydrogen Project - Suncor-Fortis Collaboration

The Burrard Project is based in Vancouver, British Columbia, and is a joint venture with our partners Suncor Energy and Fortis BC Energy to demonstrate key aspects of the Hazer process. The commercial plant is being designed to produce up to 2,500 tonnes of hydrogen per annum, a scale-up of 25 times on the Commercial Demonstration Plant (100 t/a), with a range of applications being considered including the potential to blend the hydrogen into the Vancouver natural gas pipeline network supporting decarbonisation strategies. Very good progress is being made on the first phase of the project, developing a fast-tracked prototype plant at the Burrard site, to gain upfront technical information prior to scaling-up to the commercial plant.

The Suncor/Fortis project team visited the Hazer CDP in October and reviewed the project objectives and future plans to set the context for developing the Burrard Project.

Hazer have awarded the design and fabrication of the prototype reactor to Hatch. This work has progressed during this quarter to the first design review. An acceleration program was issued separately to Hatch Australia which brought forward procurement activities allowing shortlisting of potential fabricators to be completed after assessing proposals. Hatch have also been awarded the design of the balance of plant ("BOP") for the prototype.

Definitive commercial agreements are currently being discussed between all parties including Joint Operating Agreements, Hazer technology licensing arrangements and hydrogen offtake. The initial high-level schedule for the project targets a final investment decision in 2023, with operations targeted to commence in 2025.

¹ See ASX Announcement date 26 May 2020



Suncor & Fortis visit CDP following completion of construction and first phase testing.

Research & Technology Development

During the last quarter Hazer concluded the arrangement with the Innovative Manufacturing Cooperative Research Centre (IMCRC). The collaboration was especially successful with all milestones across the catalyst development and carbon market development areas being achieved within the prescribed schedule and budget. The performance of the catalyst intended for use at the CDP has been successfully characterised with the impact of various process conditions understood and the results used to prepare for the hot operations phase. In carbon market development the IMCRC communicated they were pleased to note the test and validation of several applications as well as the novel method of purification for Hazer Advanced Carbon Materials which will be able to be tested in the market when commercial quantities are produced.

A two-year project agreement proposal was also submitted during the quarter to enable the next phase of catalyst and carbon development to proceed. The project is proposed to include establishment of a standardised testing methodology for assessing catalyst performance as well as catalyst enrichment techniques and tailoring advanced carbon material properties. This information is expected to assist in selection of catalyst sources for future plants including the Burrard Project.

Process development is progressing in line with the current strategy with activities during the quarter primarily focused on the experimental testing program for the CDP and risk mitigation for key equipment. The R&D patent pipeline continues to be managed in accordance with the IP strategy. The Hazer patent portfolio status is provided annually in the third quarter update.

Hazer research and development effort remains focused in four key workstreams:

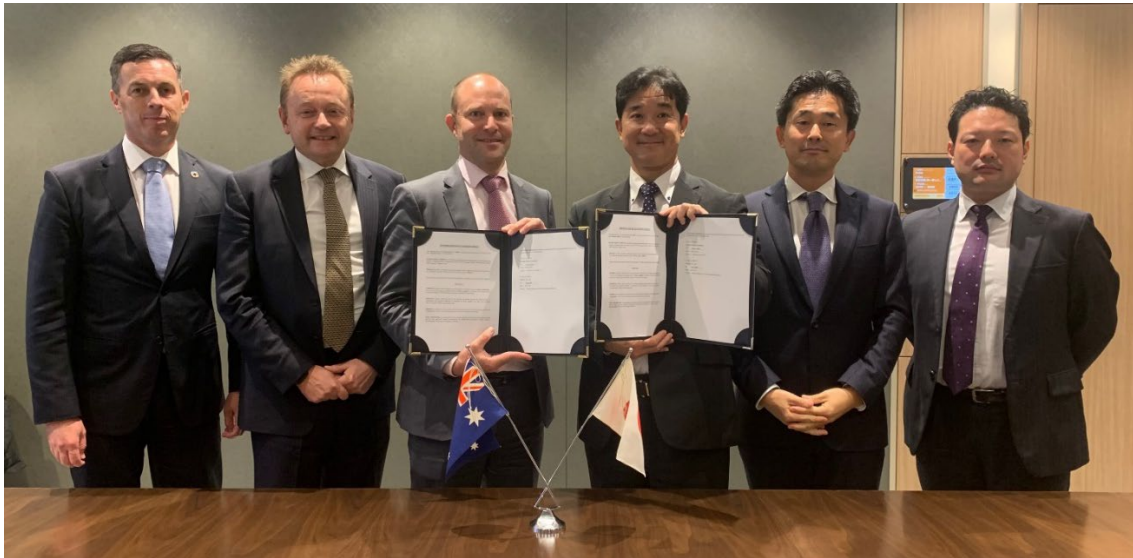
- catalyst development,
- carbon market development,
- process development, and
- IP.

Business Development

As announced on 16 November 2022 Hazer signed a non-binding Memorandum of Understanding ("MOU") with Mitsui & Co., Ltd. ("Mitsui", Tokyo, Japan), a global trading and investment company based in Japan, to jointly investigate the potential markets for the application of Hazer's graphitic carbon ("Hazer graphite").

Under the MOU, Hazer and Mitsui have agreed to conduct an initial marketing survey of applications of Hazer's low emissions graphite in the steel making and chemicals industries, utilising Mitsui's global network. The MOU is a result of an extensive period of technology review and market assessment conducted by Mitsui. Hazer and Mitsui will jointly explore potential customers, applications, and partners in Asia, Oceania, Northern America, Europe, and the Middle East to establish the potential value for Hazer graphite and to contribute to the decarbonisation of existing industrial supply chains and manufacturing processes. In addition to the initial marketing survey, Hazer and Mitsui have agreed to jointly explore other potential commercial opportunities on mutually agreeable terms.

During the quarter, Hazer visited Japan to further progress discussions with Mitsui. During this trip, Hazer met with Chiyoda Corporation to jointly conduct discussions with parties interested in applying Hazer's technology locally. Hazer remains confident that the market in Japan provides significant potential for its technology.



Hazer and Mitsui signed an MOU focused on Hazer's graphitic carbon product.

In addition, Hazer continued discussions with established companies and other relevant stakeholders in selected countries in Asia, North America, and Europe with regard to the development of potential partnerships that would contribute to the commercialization of the Hazer technology and future growth of the company.

In December 2022, Hazer's CEO Glenn Corrie, delivered a presentation at the Australian Hydrogen Conference (West) held in Perth. Over 700 delegates attended the conference, including international visitors. During the event, the company facilitated a site visit to the CDP for international delegates and government representatives. Hazer acknowledges and is grateful for the support received from the team at the WA Department of Jobs, Science, Tourism and Innovation.

Corporate Commentary

On 24th November 2022 Hazer Group Limited held its Annual General Meeting (AGM) where previously announced Chairman's Address and CEO Presentation were presented. All resolutions detailed in the Company's Notice of Annual General Meeting dated 19 October 2022 were passed by poll, details of which are included in the Company's announcement of 24 November 2022.

As of 31 December 2022, the Company held cash reserves of \$12.5 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 \$2.4 million during the quarter.

During the quarter, FY22 R&D tax incentive claim (~\$9 million) was assessed by PWC and submitted to the ATO. Hazer and PWC are engaging with closely the ATO to achieve receipt of claim proceeds in early 2023.

Cash used for investing activities totaled \$0.3 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 in FY23.

During the quarter, net cash outflows from financing activities were \$0.02 million.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.05 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.

As announced on 13th October, Mr. Glenn Corrie commenced as Chief Executive Officer of the Company during the quarter. The Company also advised that its Chief Financial Officer and Company Secretary, Romolo Santoro, has resigned. On the 26th of October, Harry Spindler was appointed as the new Company Secretary. On 4th December 2022 Neil Brodie commenced as Interim CFO.

Corporate Access

The company will be conducting investor meetings in Europe and the US in February. If you would like to meet, please contact Hannah Howlett below.

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 graphitic carbon production process. The Hazer Process enables the effective conversion of natural gas and similar methane feedstocks, into hydrogen and high-quality advanced carbon materials, using iron ore as a process catalyst.

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Hazer Group Limited - Social Media Policy

Hazer Group Limited is committed to communicating with the investment community through all available channels. Whilst ASX remains the prime channel for market-sensitive news, investors and other interested parties are encouraged to follow Hazer on Twitter (@hazergroupltd), LinkedIn, Facebook, and YouTube.

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Appendix 4C

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

Name of entity

HAZER GROUP LIMITED

ABN

40 144 044 600

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (6 months) \$ A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	0	0
1.2	Payments for		
	(a) research and development ¹	(640)	(1,417)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(1,061)	(1,948)
	(f) administration and corporate costs	(748)	(1,409)
1.3	Dividends received (see note 3)		
1.4	Interest received	50	79
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
	- R&D tax rebate	0	0
1.8	Other (provide details if material)		
	- Net GST received / (paid)	19	(2)
	- Security deposits received / (paid)	0	4
1.9	Net cash from / (used in) operating activities	(2,380)	(4,693)

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

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

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (6 months) \$ A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment ²	(258)	(2,861)
	(j) investments		
	(k) intellectual-property		
	(l) 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	(258)	(2,861)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(20)	(20)
3.5	Proceeds from borrowings	2	2,002
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(2)	(2)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(20)	1,978

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 (6 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	15,111	18,029
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,380)	(4,693)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(258)	(2,861)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(20)	1,978
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	12,453	12,453

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	6,700	9,410
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	333	281
	- Restricted cash (ARENA grant)	5,420	5,420
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	12,453	15,111

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	48
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 (\$48k)

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	6,498	4,554
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued	0	0
7.4	Total financing facilities	6,498	4,554

7.5 **Unused financing facilities available at quarter-end⁴** 1,944

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 \$6.5 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. The loan will terminate in February 2024.

8.	Estimated cash available for future operating activities	\$ A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,380)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	12,453
8.3	Unused finance facilities available at quarter-end (Item 7.5)	1,944
8.4	Total available funding (Item 8.2 + Item 8.3)	14,397
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)⁴	6

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: 30 January 2023

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 – e.g. 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.