



1. Company details

| | |
|-------------------|--|
| Name of entity: | Hazer Group Limited ("the Company", "Hazer") |
| ABN: | 40 144 044 600 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

2. Results for announcement to the market

| | | | \$ |
|---|------|--------------------|--------------------|
| Revenues from ordinary activities | up | 75% to | 1,013,454 |
| Loss from ordinary activities after tax attributable to the owners of Hazer Group Limited | down | 63% to | (4,837,624) |
| Loss for the half-year attributable to the owners of Hazer Group Limited | down | 63% to | (4,837,624) |
| | | 31 Dec 2022 | 31 Dec 2021 |
| | | Cents | Cents |
| Basic and diluted loss per share | | (2.86) | (8.49) |
| Diluted earnings per share | | (2.86) | (8.49) |

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 \$4,837,624 (31 December 2021: \$13,021,261).

Refer to the company announcement on 24 February 2023 regarding the results for further information.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>6.21</u> | <u>7.48</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 2022 is attached.

9. Signed

Signed _____

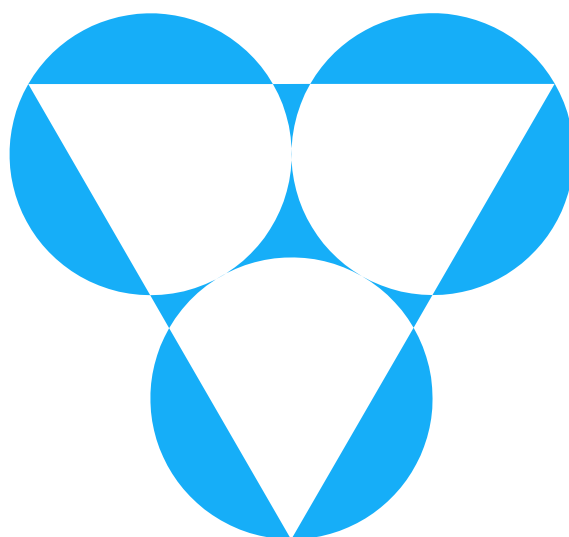
Date: 24 February 2023

Tim Goldsmith
Chairman

Hazer Group Limited

ABN 40 144 044 600

Interim Report – 31 December 2022



Hazer Group Limited
Corporate directory
For the half-year ended 31 December 2022



| | |
|--------------------------------|--|
| Directors | Tim Goldsmith (Non-Executive Chairman) Danielle Lee (Non-Executive Director) Andrew Hinkly (Non-Executive Director) Jack Hamilton (Non-Executive Director) Geoff Ward (Executive Director) (retired 1 July 2022) |
| Company secretary | Harry Spindler |
| 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 | Automic Group Limited Level 5/191 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 |
| Securities exchange listing | Australian Securities Exchange Ltd (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 2022



The directors present their report together with the financial statements of Hazer Group Limited (ASX: HZR, "the Company", "Hazer") for the half-year ended 31 December 2022.

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 (Non-Executive Chairman)
Danielle Lee (Non-Executive Director)
Andrew Hinkly (Non-Executive Director)
Jack Hamilton (Non-Executive Director)
Geoff Ward (retired 1 July 2022)

Principal activities

During the financial half-year, the principal continuing activities of the Company consisted of research and development of hydrogen and graphitic carbon 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 \$4,837,624 (31 December 2021: \$13,021,261).

As an early stage technology development 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.

Hazer is a clean technology development company focused on the commercialisation of the Hazer Process – a novel, low carbon emission hydrogen and graphite production technology. The technology initially developed at the University of Western Australia has the potential to deliver two high-value products while reducing carbon emissions through both production and use.

Low-emission hydrogen and graphite are both key products in a de-carbonising economy, and there is a significant global focus on developing a hydrogen economy as part of a transition to a low-carbon environment.

During the period, the Company made significant progress on its core development pathway to commercialise the Hazer Process.

At the start of the 2023 financial year, Hazer received the handover of its Commercial Demonstration Plant ("CDP") from our construction contractor, Primero Group.

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.

In the last 6 months, the operations team have progressed testing of the plant equipment in line with the first phase testing program. This testing program is key to obtaining technical data regarding the Hazer reactor and other equipment ahead of the second phase of operation ("hot operations").

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 half year to be ready for second phase start-up (Ready for Start Up / RFSU) in H2 CY2023.

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

Hazer Group Limited
Directors' report
For the half-year ended 31 December 2022



In February 2022, the Company executed a Memorandum of Understanding (“MOU”) with Suncor Energy and FortisBC Energy to develop a 2,500 tpa low-carbon emission hydrogen production facility using Hazer’s technology.

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. This commercial plant is being designed to produce up to 2,500 tonnes of hydrogen per annum, a scale-up of 25 times on Hazer’s Australian CDP (100 t/pa), 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 2022 and reviewed the project objectives and future plans to set the context for developing the Burrard Project.

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.

During the first half of financial year 2023, 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.

As announced on 16 November 2022 Hazer, signed a non-binding MOU with Mitsui & Co., Ltd. (“Mitsui”), 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. In addition to the initial marketing survey, Hazer and Mitsui have agreed to jointly explore other potential commercial opportunities on mutually agreeable terms.

In accordance with the Company’s succession plans, during the period, Mr Glenn Corrie joined the Company as Chief Executive Officer effective from 10 October 2022 following Mr Geoff Ward’s resignation as Managing Director in early July 2022.

Additionally, the Company welcomed Mr Harry Spindler in the role of Company Secretary and Mr Neil Brodie in the role of Interim Chief Financial Officer following Mr Romolo Santoro’s resignation in late October 2022.

Hazer Group Limited

Directors' report

For the half-year ended 31 December 2022



The company's cash and cash equivalents were \$12,448,954 as at 31 December 2022 (30 June 2022: \$18,027,924) and net assets at 31 December 2022 were \$10,552,524 (30 June 2022: \$12,451,967). The company's cash includes \$5,420,000 of cash that is restricted from use by the company until certain conditions are satisfied, of which \$2.97 million was released in early February 2023.

The company spent \$1,069,167 on the Commercial Demonstration Project (CDP) in the current reporting period to the end of 31 December 2022 (\$9,346,093: 31 December 2021).

Loss from ordinary activities after tax was \$4,837,624 for the half-year ending 31 December 2022 (31 December 2021 - \$13,021,261). The decreased loss of \$8,183,637 was primarily due decreased spend on the CDP following commissioning of Cold Operations and therefore a decrease in the impairment of the Commercial Demonstration Plant (CDP) of \$156,524 (31 December 2021 - \$9,346,093), 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 31% to \$5,353,426 (31 December 2021: \$4,098,864). Increases in operating expenses predominantly related to increased employee benefits expenditure \$2,132,116 (31 December 2021: \$1,546,391) due to additional staff employed to conduct engineering activities related to the Commercial Demonstration Plant, along with the accompanying corporate functions; increased consulting and research expenditure \$2,150,710 (31 December 2021: \$1,486,474) associated with preliminary engineering designs for the Burrard Project; increased administration expenses \$964,757 (31 December 2021: \$685,294) associated with an increase in legal expenses and international travel; partially offset by a decrease in finance costs, \$105,843 (31 December 2021: \$380,705) attributable to costs associated with a loan facility with Mitchell Asset Management.

The net operating cash outflows to 31 December 2022 was \$4,670,514, compared to an outflow for the period ending 31 December 2021 of \$1,345,369, primarily driven by the increase in payments to suppliers and employees. Partially offset by the absence of the research and development tax incentive rebate (31 December 2021: \$1,326,917). As advised on 30 January 2023 R&D tax incentive claim for FY22 (~\$9 million) was assessed by PwC and submitted to the ATO. Hazer and PwC are engaging closely with the ATO to achieve receipt of claim proceeds in early 2023. 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 \$2,843,968 to the end of 31 December 2022 (31 December 2021: \$9,588,150), predominantly related to reduced capital costs associated with the Hazer Commercial Demonstration Plant.

Financing cash inflows from equity raisings decreased to \$nil (31 December 2021: \$13,573,764) due to the absence of any share issues in the current period (31 December 2021: 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 \$2,000,000 (31 December 2021: \$673,082).

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

Other than those disclosed in note 16 of the Notes to the Financial Statements, no other matter or circumstance has arisen since 31 December 2022 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

Tim Goldsmith
Chairman

24 February 2023



RSM Australia Partners

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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 2022, 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 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Hazer Group Limited

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For the half-year ended 31 December 2022



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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 2023.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



| | 31 Dec 2022 | 31 Dec 2021 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Revenue | | |
| Interest received | 78,799 | 2,473 |
| R&D tax rebate | 934,655 | 511,543 |
| Grant income | - | 50,000 |
| Other income | - | 14,714 |
| Total revenue | <u>1,013,454</u> | <u>578,730</u> |
| Expenses | | |
| Administration | (964,757) | (685,294) |
| Consulting and research expenses | (2,150,710) | (1,486,474) |
| Employee benefits expenses | (2,132,116) | (1,546,391) |
| Share based payments | (291,920) | (121,602) |
| Finance costs | (105,843) | (380,705) |
| Depreciation and amortisation expense | (49,208) | (33,432) |
| Impairment expense on commercial demonstration plant | (156,524) | (9,346,093) |
| Loss before income tax expense | (4,837,624) | (13,021,261) |
| Income tax expense | - | - |
| Loss after income tax expense for the half-year attributable to the owners of Hazer Group Limited | (4,837,624) | (13,021,261) |
| Other comprehensive income for the half-year, net of tax | - | - |
| Total comprehensive loss for the half-year attributable to the owners of Hazer Group Limited | <u>(4,837,624)</u> | <u>(13,021,261)</u> |
| | Cents | Cents |
| Basic and diluted loss per share | (2.86) | (8.49) |
| Diluted earnings per share | (2.86) | (8.49) |

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 2022



| | Note | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|---|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 12,448,954 | 18,027,924 |
| Trade and other receivables | 3 | 10,252,332 | 8,528,905 |
| Other current assets | 4 | 349,140 | 312,419 |
| Total current assets | | <u>23,050,426</u> | <u>26,869,248</u> |
| Non-current assets | | | |
| Plant and equipment | | 20,019 | 7,843 |
| Commercial demonstration plant | 5 | - | - |
| Leases - Right-of-use assets | | 280,273 | 160,819 |
| Total non-current assets | | <u>300,292</u> | <u>168,662</u> |
| Total assets | | <u>23,350,718</u> | <u>27,037,910</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 6 | 1,780,441 | 3,152,900 |
| Provisions | | 197,924 | 170,545 |
| Contract liabilities | 7 | 3,920,000 | 3,920,000 |
| Leases | | 80,567 | 67,195 |
| Borrowings | 8 | 4,553,748 | 2,309,095 |
| Convertible note liability and derivative | 9 | - | 2,850,795 |
| Total current liabilities | | <u>10,532,680</u> | <u>12,470,530</u> |
| Non-current liabilities | | | |
| Contract liabilities | 7 | 1,500,000 | 1,500,000 |
| Leases | | 235,514 | 85,413 |
| Provisions | | 530,000 | 530,000 |
| Total non-current liabilities | | <u>2,265,514</u> | <u>2,115,413</u> |
| Total liabilities | | <u>12,798,194</u> | <u>14,585,943</u> |
| Net assets | | <u>10,552,524</u> | <u>12,451,967</u> |
| Equity | | | |
| Equity - issued capital | 10 | 61,505,433 | 58,859,172 |
| Equity - reserves | 11 | 2,877,896 | 2,585,976 |
| Equity – Accumulated losses | 12 | (53,830,805) | (48,993,181) |
| Total equity | | <u>10,552,524</u> | <u>12,451,967</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 2022



| | 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 loss 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 |
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2022 | 58,859,172 | 2,585,976 | (48,993,181) | 12,451,967 |
| Loss after income tax expense for the half-year | - | - | (4,837,624) | (4,837,624) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (4,837,624) | (4,837,624) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Shares issued pursuant to the exercise of convertible notes | 2,646,261 | - | - | 2,646,261 |
| Share-based payments | - | 291,920 | - | 291,920 |
| Balance at 31 December 2022 | 61,505,433 | 2,877,896 | (53,830,805) | 10,552,524 |

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 2022



| | Note | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|---|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (4,744,943) | (2,738,429) |
| Research and development tax rebate received | | - | 1,326,917 |
| Interest received | | 78,799 | 2,473 |
| Interest and other finance costs paid | | (4,370) | (1,044) |
| Grant & rebate income received | | - | 50,000 |
| Other income received | | - | 14,714 |
| | | <u>-</u> | <u>14,714</u> |
| Net cash used in operating activities | | <u>(4,670,514)</u> | <u>(1,345,369)</u> |
| Cash flows from investing activities | | | |
| Payments for commercial demonstration plant | | (2,829,738) | (9,573,980) |
| Other property plant and equipment | | (14,230) | (11,525) |
| Interest and other finance costs paid | | - | (2,645) |
| | | <u>-</u> | <u>(2,645)</u> |
| Net cash used in investing activities | | <u>(2,843,968)</u> | <u>(9,588,150)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 10 | - | 14,000,000 |
| Proceeds from exercise of share options, net of share issue costs | | - | 71,501 |
| Share issue transaction costs | | (20,406) | (497,737) |
| Proceeds from borrowings | | 1,997,800 | 2,000,000 |
| Repayment of borrowings | | - | (1,326,918) |
| Repayment of leases | | (41,882) | (27,333) |
| Interest and other finance costs paid | | - | (764) |
| | | <u>-</u> | <u>(764)</u> |
| Net cash from financing activities | | <u>1,935,512</u> | <u>14,218,749</u> |
| Net increase/(decrease) in cash and cash equivalents | | (5,578,970) | 3,285,230 |
| Cash and cash equivalents at the beginning of the financial half-year | | <u>18,027,924</u> | <u>24,640,090</u> |
| Cash and cash equivalents at the end of the financial half-year | | <u><u>12,448,954</u></u> | <u><u>27,925,320</u></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 2022



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Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss of \$4,837,624 and had net cash outflows from operating activities of \$4,670,514 and \$2,843,968 respectively for the half year ended 31 December 2022.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Receipt of FY22 and future R&D tax rebates;
- Potential drawdowns against existing lending facilities including elongated terms; and
- The Group has a strong track record of successfully raising capital and expects to be able to raise additional capital through equity placements to existing and new investors.

Note 2. Cash and cash equivalents

| | 31 Dec 2022 | 30 Jun 2022 |
|---------------------------|--------------------|--------------------|
| | \$ | \$ |
| Cash at bank | 6,696,412 | 12,326,702 |
| Cash on deposit | 332,542 | 281,222 |
| Cash at bank – restricted | 5,420,000 | 5,420,000 |
| | <u>12,448,954</u> | <u>18,027,924</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.



Note 3. Trade and other receivables

| | 31 Dec 2022 | 30 Jun 2022 |
|---------------------------|--------------------|--------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| GST refundable | 109,659 | 233,530 |
| R&D tax rebate receivable | 10,142,673 | 8,295,375 |
| | <u>10,252,332</u> | <u>8,528,905</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 2022.

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 2022 | 30 Jun 2022 |
|-------------|--------------------|--------------------|
| | \$ | \$ |
| Prepayments | 338,542 | 298,219 |
| Deposits | 10,598 | 14,200 |
| | <u>349,140</u> | <u>312,419</u> |

Note 5. Commercial demonstration plant

| | 31 Dec 2022 | 30 Jun 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Commercial demonstration plant | 26,723,597 | 25,654,430 |
| Plant and equipment - at independent valuation | (7,980,796) | (7,068,153) |
| Commercial demonstration plant – restoration provision | 510,000 | 510,000 |
| Commercial demonstration plant – accumulated amortisation & impairment | (15,262,801) | (15,106,277) |
| 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 2022 | 30 Jun 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| <i>Net book value</i> | | |
| At 1 July | - | - |
| - Additions | 1,069,167 | 16,673,069 |
| - R&D Offset | (912,643) | (7,068,153) |
| - Impairment | (156,524) | (9,604,916) |
| Net book value for the period ended | <u>-</u> | <u>-</u> |



Note 5. Commercial demonstration plant (continued)

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.

Impairment of the Commercial Demonstration Plant

At 31 December 2022, 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 2022 | 30 Jun 2022 |
|------------------|--------------------|--------------------|
| | \$ | \$ |
| Accounts payable | 1,649,221 | 2,511,287 |
| Other payables | 131,220 | 641,613 |
| | <u>1,780,441</u> | <u>3,152,900</u> |

Note 7. Contract liabilities

| | 31 Dec 2022 | 30 Jun 2022 |
|----------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Current Contract liabilities | <u>3,920,000</u> | <u>3,920,000</u> |
| Non-current Contract liabilities | <u>1,500,000</u> | <u>1,500,000</u> |
| | <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.

The amount of contract liabilities are allocated by grant milestones relating to the practical completion and commencement of commissioning for the Commercial Demonstration Plant (milestones 3a \$2,969,000 and 3b), along with the completion of 12, 24 and 36 months of operations.

Milestone 3a was achieved with the announcement of completion of commissioning of "cold operations" on 28th June 2022. The milestone report has been accepted by ARENA and payment will be received in early 2023. As the company targets to achieve practical completion of "hot operations" in 2023, amounts attributable to Milestone 3b are also classified as current liabilities and are expected to be released in the next 12 months from 31 December 2022.

Amounts relating to operational Milestones 4 – 6 are classified as non-current as the company is required to fulfil a minimum of 12, 24 and 36 months of operations prior to being eligible for the application of funds.



Note 8. Borrowings

| | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--------------------|-------------------|-------------------|
| Current borrowings | <u>4,553,748</u> | <u>2,309,095</u> |

The company has a \$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 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 2022, Hazer had \$1,946,252 available of undrawn committed borrowing facilities with Mitchell Asset Management.

Note 9. Convertible note liability and derivative

| | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|-----------------------------|-------------------|-------------------|
| <i>Current liabilities</i> | | |
| Convertible note liability | - | 1,357,002 |
| Convertible note derivative | <u>-</u> | <u>1,493,793</u> |
| | <u>-</u> | <u>2,850,795</u> |

At 30 June 2022, the Company had 2,666,667 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 could 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.

The remaining notes were converted in Aug 2022 (1,333,333 notes) and in September 2022 (1,333,334).

Note 10. Equity - issued capital

| | 31 Dec 2022 Shares | 30 Jun 2022 Shares | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|------------------------------|-----------------------|-----------------------|-------------------|-------------------|
| Ordinary shares - fully paid | <u>170,443,743</u> | <u>166,327,649</u> | <u>61,505,433</u> | <u>58,859,172</u> |

Hazer Group Limited
Notes to the financial statements
For the half-year ended 31 December 2022



Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|-------------------------|--------------------|-------------|-------------------|
| Opening Balance | 1 July 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 |
| Issue of shares on exercise of Series L Options | 30 June 2022 | 1,000,000 | \$0.50 | 500,000 |
| 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 L options from options reserve | | - | \$0.00 | 136,657 |
| Transfer of Series O options from options reserve | | - | \$0.00 | 2,520,000 |
| Unsecured Convertible Note conversion | | 2,430,455 | \$0.55 | 1,333,333 |
| Share issue transaction costs, net of tax | | - | \$0.00 | (497,737) |
| Closing balance | 30 June 2022 | 166,327,649 | | 58,859,172 |
| Unsecured Convertible Note conversion | 4 August 2022 | 2,008,402 | \$0.66 | 1,333,333 |
| Unsecured Convertible Note conversion | 22 September 2022 | 2,107,692 | \$0.63 | 1,333,334 |
| Share issue transaction costs, net of tax | | - | \$0.00 | (20,406) |
| Closing balance | 31 December 2022 | 170,443,743 | | 61,505,433 |

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 2022 | 9,415,000 | 2,585,976 |
| Issue of Series P options | 5,315,000 | 291,920 |
| Balance at 31 December 2022 | 14,730,000 | 2,877,896 |

Note 12. Equity – Accumulated losses

| | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--|---------------------|---------------------|
| Accumulated losses at the beginning of the financial half-year | (48,993,181) | (34,100,920) |
| Loss after income tax expense for the half-year | (4,837,624) | (16,414,826) |
| Transfer from options reserve to accumulated losses | - | 1,522,565 |
| Accumulated losses at the end of the financial half-year | (53,830,805) | (48,993,181) |

Note 13. Contingent assets and liabilities

The Company has given bank guarantees as at 31 December 2022 of \$297,542 (30 June 2022: \$246,221) to various landlords and Western Power in association with the Commercial Demonstration Plant.



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:

| | 31 Dec 2022 | 30 Jun 2022 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| <i>Research collaboration agreement:</i> | | |
| Within one year | 37,500 | 61,986 |
| Later than 1 year but not later than 5 years | - | - |
| | <u>37,500</u> | <u>61,986</u> |
| <i>Construction of Commercial Demonstration Plant:</i> | | |
| Within one year | 2,732,562 | 2,861,723 |
| Later than 1 year but not later than 5 years | - | - |
| | <u>2,732,562</u> | <u>2,861,723</u> |
| | <u><u>2,770,062</u></u> | <u><u>2,923,709</u></u> |

Note 16. Events after the reporting period

Subsequent to the end of the reporting period, Hazer advised the market that it has achieved a key progress milestone under the Australian Renewable Energy Agency (“ARENA”) Funding Agreement, facilitating the drawdown of \$2.97 million.

Hazer and ARENA have agreed to amend the terms of the existing Funding Agreement, specifically the \$3.92 million Tranche 3 – Completion of Construction and Commencement of Commissioning. The original Funding Agreement was executed in March 2020 (refer announcement of 23 March 2020).

Whilst the Tranche 3 funding amount remains unchanged at \$3.92 million, under the variation, the parties have agreed to split the Tranche into two portions, 3.a and 3.b. The new milestone 3.a of \$2.97 million reflects practical completion and commissioning of cold operations (as announced on 28 June 2022) and milestone 3.b of \$0.95 million which covers similar for hot operations.

ARENA has additionally approved the completion of milestone 3.a, acknowledging the significant progress in the construction and commissioning of the Commercial Demonstration Plant (“CDP”). This releases \$2.97 million (75%) of Tranche 3 funding. This drawdown strengthens Hazer’s near-term liquidity by releasing previously restricted cash.

No other matter or circumstance has arisen since 31 December 2022 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 2022



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 2022 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

Tim Goldsmith
Chairman

24 February 2023



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Hazer Group Limited, which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 of the company.

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 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 report.

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Directors' Responsibility of the Half-Year Financial Report

The directors of the Hazer Group Limited 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 for the Review of the Financial Report

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 2022 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*.

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.

RSM
RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'Al Whyte'.

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 24 February 2023