

APPENDIX 4C – 31 MARCH 2023 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *The Commercial Demonstration Plant (CDP) is progressing on schedule to start up in 2H2023. CDP supply chain and construction risks are being mitigated through accelerated procurement activities.*
- *Considerable progress was made with the replacement of the heat exchanger and reactor equipment. Incoloy 800HT heat-exchanger stock materials have been shipped and delivered to Australia to begin the fabrication and installation program.*
- *Engineering studies for the Burrard Project are progressing well in close collaboration with partners Suncor & Fortis BC to support a targeted Final Investment Decision (FID) in late 2023.*
- *Hazer continued discussions with key stakeholders in selected countries in Asia, North America, and Europe regarding the development of potential commercial scale plants and partnerships that would contribute to the future growth of the Company.*
- *Hazer's available funds on 31 March 2023 was ~\$10 million. Subsequent to the end of the Quarter, the Company's cash position was further strengthened to ~\$19 million following the approval and receipt of a \$9.45 million R&D cash refund.*

PERTH, AUSTRALIA; 26 April 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 March 2023 ("the Quarter").

Discussing quarterly results, Hazer CEO Glenn Corrie said: *"Hazer had a strong Quarter continuing to make tangible progress expediting the start-up of our Commercial Demonstration Plant, a key milestone on Hazer's strategic roadmap. Our focus on project delivery and contingency planning has been critical to maintaining momentum and mitigating schedule risk. The team has demonstrated material progress with procurement of replacement heat-exchanger and reactor equipment as well as achieving methane gas flow during our Phase-1 commissioning test program. Our strategy is aligning and I'm excited about the period ahead. We have a robust plan to deliver the CDP, a deep pipeline of commercial opportunities, and a strong financial position to support our business and growth plans."*

He continues: *"Hazer technology is disruptive in today's hydrogen market, which is dominated by steam methane reforming, a process that emits significant carbon dioxide. Our strategy of demonstrating commerciality while positioning our technology in markets that require an immediate low-cost decarbonisation solution is accelerating."*

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant ("CDP") Update

The Company's CDP is progressing to schedule to complete its Phase 2 ('hot operations') construction and commissioning and be Ready-For-Start-Up ("RFSU") in 2H2023. Good progress has been made to functionally test Phase 1 ('cold operations') systems, de-risking the hot operations work program that will enable the commencement of hydrogen and graphitic carbon production. In addition, Phase 1 testing during the Quarter has achieved gas flow through the process and is continuing steady state operational testing.

Primero Group was awarded the installation scope for the Phase 2 hot operations equipment, with resources onboarded and early hot engineering works underway. Primero's familiarity with the project provides important continuity during the construction and commissioning phases of the start-up schedule. Installation works will commence mid-2023 to accelerate the project schedule ahead of remaining equipment arriving on site.

Good progress was made on both reactor technologies during the Quarter. Forgiatura Morandini (“FM”) received the alloy ingot and progressed forging of the reactor shell, prior to machining. A Hazer appointed third-party inspector was engaged to review milestone stages in support of ongoing quality assurance processes. Preparations have commenced for logistics and shipping with the reactor materials expected to arrive in Australia mid-year. To minimize supply chain risk, final fabrication will occur in Australia. Local companies with extensive advanced material, reactor, and exotic material piping fabrication experience have been pre-qualified and tender packages have been issued to allow sufficient time for scope review, preparation, and work planning aligned with the 2023 start-up schedule.

Concurrently, global engineering leader, Hatch, progressed the improved technology reactor concept being adopted for the Burrard Project in Canada. This alternative reactor has passed initial design reviews and the preliminary engineering report finalised ready for detailed engineering to commence and early procurement.

Procurement activities progressed for the replacement of heat exchanger and piping materials. During the Quarter, Special Metals Wiggin (UK) accepted the materials order and a manufacturing slot was secured. The nominated completion date for the materials has been maintained, allowing for fabrication and delivery of equipment to the CDP in line with the hot operations start-up schedule. In parallel to the Special Metals order, an order for an alternative high temperature alloy material (800HT) was placed with Tubacex, a global leader in the supply of high-alloyed tubular products. This alternative alloy has a favorable lead time due to critical items being in stock and these items have since been air-freighted to Australia to accelerate fabrication and de-risk Stage 2 construction schedule. Uniquip has been re-engaged to fabricate the replacement heat exchanger, taking advantage of their prior successful experience with advanced alloy material fabrication for Hazer.

Burrard-Hazer Hydrogen Project - Suncor-Fortis Collaboration

The Burrard Project joint venture, with partners Suncor Energy and Fortis BC Energy, is based in Vancouver, British Columbia Canada. This commercial plant is being designed to produce up to 2,500 tonnes per annum (tpa) of hydrogen and 9,500tpa of marketable graphitic carbon per annum, a scale-up of 25 times on the CDP (~100tpa of hydrogen). The Project is targeting a Final Investment Decision (“FID”) in late 2023.

During the Quarter, engineering on the prototype reactor and associated Balance of Plant equipment progressed to allow testing of this new reactor technology. The prototype reactor and heating element design is in final stages, while Balance of Plant equipment is on track at ~40% complete.

The Burrard Project agreements framework has been established and definitive partnering, joint venture, licensing and other commercial agreements, that will replace the existing Memorandum of Understanding, are progressing well, with the objective of concluding commercial agreements by FID.

Research & Technology Development

The focus for the Quarter was to progress the strategy, planning and resourcing / recruitment for the four key workstreams:

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

A two-year project agreement was finalised 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 the 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.

Hazer has further strengthened its patent portfolio with the allowance of US patent application No. 15/754,790 for a process of controlling the morphology of graphitic carbon. The patent covers a process for selectively producing different forms of graphitic carbon via the Hazer process and can potentially broaden the applicable markets from this potentially valuable product.

Business Development

During the Quarter, Hazer progressed discussions with potential strategic partners and other relevant stakeholders in key strategic markets in Asia, Northern America and Europe with regard to the development of partnerships that will contribute to the commercialisation of the technology and growth of the Company.

In relation to the market potential for Hazer's unique graphitic carbon product, Hazer further progressed discussions with Mitsui around commercial collaboration in Mitsui's existing supply chains in hard-to-abate sectors such as chemicals industry and steel manufacturing. In addition to discussions with Mitsui, Hazer regularly engages with industry players involved with the development and manufacturing of a range of carbon products.

During the Quarter, Hazer hosted several site visits to its CDP. Hazer was honored to host the Consul-General of Japan, Mr NAITO Yasushi, and his colleagues of the Consulate-General of Japan. In addition, site visits were conducted by international delegations from German companies, as well as a business mission organised by the Hydrogen and Fuel Cell Association of Singapore ("HFCAS"). The delegation from Singapore consisted of a very diverse mix of knowledgeable industry professionals, a total of 26 delegates ranging from academia to lawyers, LNG importing, and industrial gas companies.



Business mission organised by the Hydrogen and Fuel Cell Association of Singapore

Corporate Commentary

As of 31 March 2023, the Company had available funds of \$10.1 million. This included the \$3.92 million cash drawdown associated with milestone 3a and 3b of the Australian Renewable Energy Agency ("ARENA") funding agreement (refer announcement of 2 February 2023). Hazer incurred net operating cash outflows of \$3.2 million during the Quarter which was above the previous quarter as a result of additional reactor and heat exchanger options procured to provide risk-mitigation and contingency planning in support of the CDP start-up schedule.

As announced on 5 April 2023, the Company's FY22 Research and Development ("R&D") tax incentive claim of ~\$9.45 million was approved by Australian Taxation Office and has subsequently been received by the Company, further strengthening Hazer's available funding position post Quarter end to ~\$19 million.

Cash used for investing activities totaled \$1.0 million, incurred on the CDP for engineering and key equipment packages. These costs are expected to be eligible for R&D tax incentive rebates in FY23.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.17 million was paid to related parties during the Quarter (as noted in section 6 of the attached Appendix 4C). These payments relate to salaries, fees and superannuation paid to Directors and CEO.

Corporate Access

The Company's Managing Director will be attending and presenting at the World Hydrogen Summit in Europe on the 10-11 of May 2023. To organize a meeting with Glenn, please contact Hannah Howlett below to arrange a suitable time.

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

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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 MARCH 2023

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (9 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	(630)	(2,047)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(1,440)	(3,388)
	(f) administration and corporate costs	(1,136)	(2,544)
1.3	Dividends received (see note 3)		
1.4	Interest received	48	127
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 ²	0	0
1.8	Other (provide details if material)		
	- Net GST received / (paid)	3	1
	- Security deposits received / (paid)	0	4
1.9	Net cash from / (used in) operating activities	(3,155)	(7,848)

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

² FY22 R&D tax rebate claim of ~\$9.45M approved by ATO with funds subsequently received in April '23.

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

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (9 months) \$ A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment ³	(942)	(3,803)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	(19)	(19)
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	(961)	(3,822)
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)
3.5	Proceeds from borrowings	(2)	2,000
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	(0)	1,978

³ 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 (9 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	12,453	18,029
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,155)	(7,848)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(961)	(3,822)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(0)	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	8,337	8,337

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	5,553	6,700
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	333	333
	- Restricted cash (ARENA grant)	2,451	5,420
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	8,337	12,453

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 ⁴	175
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

⁴ Salary, Director's fees and superannuation paid to Directors (\$48k)

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 ⁵	6,500	4,703
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued	0	0
7.4	Total financing facilities	6,500	4,703

7.5 **Unused financing facilities available at quarter-end⁴** 1,797

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.

⁵ \$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)	(3,155)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	8,337
8.3	Unused finance facilities available at quarter-end (Item 7.5) ⁵	1,797
8.4	Total available funding (Item 8.2 + Item 8.3)	10,134
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)⁶	3

⁶ R&D tax rebate claim of \$9.45 million was approved by ATO and received in April '23. Estimated quarters of funding available adjusted for this remittance is 6 quarters.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 26 April 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.