

APPENDIX 4C – 30 SEPTEMBER 2021 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *Progressed engineering, fabrication, and construction of Hazer Commercial Demonstration Plant Project.*
- *Hazer CDP schedule revised due to delays related to fabrication and supply of specialist high-temperature materials; commissioning of the Hazer CDP is now anticipated to occur in 1Q 2022.*
- *Site civil preparation and civil construction works completed; mechanical, instrument and electrical works commenced.*
- *Strong financial position with cash reserves of \$27.3 million as at 30 September 2021. Balance sheet strengthened through completion of \$7 million placement to sophisticated and institutional investors during the quarter, and subsequent to the end of the quarter, completion of a \$7 million Share Purchase Plan.*
- *FY21 R&D tax incentive relating to FY21 was received from the Australian Taxation Office on 5 October 2021 for a sum of \$1,326,917; proceeds were used for repayment against Mitchell Asset Management Senior Secured Loan Facility.*
- *Engineering studies to progress development of larger first-generation commercial Hazer facilities progressed with Chiyoda Corporation and other specialist engineering providers. Discussions with potential international collaboration partners remain ongoing.*

PERTH, AUSTRALIA; 18 October 2021: Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the following activity update and attached Appendix 4C Quarterly Cashflow Report for the three-month period ended 30 September 2021.

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant update

A key focus of the Company's activities continues to be the execution of the Hazer Commercial Development Project ("CDP" or "Project"). Successful execution of the CDP demonstrating Hazer's technology scale-up represents the key next step in fully commercialising the Hazer Process.

The CDP is a 100 tons per annum, low-emission hydrogen production facility that will be the first larger scale, fully integrated deployment of the Hazer Process. The CDP is located at the Water Corporation's Woodman Point waste-water treatment plant in Western Australia and uses biogas produced at the treatment plant as feedstock to produce renewable, low emission hydrogen and graphite.

Civil construction activities have progressed well, with deep foundations, trenching and main underground cabling activities completed. Mechanical construction has begun with the commencement of work on the pipe racks and main steel structure and installation of equipment related to the Biogas Pre-Treatment Unit (CO₂ removal unit).

Fabrication of process modules and equipment items progressed at vendor sites, with many packages now either completed and received into storage, or completed and being held at vendor sites until required on sites. Key equipment packages that have been completed include; Biogas Pre-treatment Unit, Compression Equipment (Process and Recycle Compressors), Cyclone and Filter Package, Graphite Screw Conveyors, Process Conveyors, Gas Chromatograph and Analysers, flare packages and catalyst lift crane. Transformer equipment required for the grid connection has been secured and the installation schedule agreed with Western Power.



Transformers ready for connection



Piping connections started



Hydrogen Pressure Swing Adsorption



CDP construction site – 15 October 2021

The Hazer CDP, like many construction and engineering projects in the current environment, continue to face significant cost and schedule pressures due to the ongoing impacts of COVID-19 and the high demand for services, materials and labour in WA. At this stage, we maintain our expected final cost of \$21 - \$22 million, but the Project continues to see cost pressures on materials, equipment, labour and freight.

Whilst the majority of project items remain on schedule, COVID-19 related disruptions to mill schedules has delayed the fabrication, and supply of, high temperature materials required for the main reactor vessels, heat exchangers and piping. Shipping schedules for these materials have also been affected by inclement weather conditions between China and Australia. With the impacts of these delays still being fully evaluated, we have updated our expected Project commissioning target from December 2021 until Q1 2022. This change was advised to the ASX on 3 September 2021.

Given the first of kind nature of the Project, potential further schedule disruption due to Covid-19 related delays, or requirements for additional engineering, remains an ongoing risk. The Company is seeking to mitigate this by expediting the delivery of materials and equipment into Australia as early as possible and using local services for the detailed fabrication of the key reactor module and high temperature heat exchangers. Subsequent to the end of the quarter, the manufacture of the high-temperature materials was completed, and materials for the high-temperature heat exchanger units were received in Australia.

The Company will continue to update shareholders on any schedule or budget impacts.

Business Development

Interest in low-emission technologies continues to be very strong internationally across Europe, Asia and North America, with a significant focus on accelerating national decarbonisation plans and increased ambition to tackle climate change on a global scale.

We have seen increased engagement with Hazer about the potential to apply the Hazer technology in a range of scenarios, with particular emphasis on the role it could play in the future decarbonisation of heavy industry, such as steel mills and other large scale manufacturing industries.

This builds on our ongoing work with an increasing number of potential partners across Europe, Asia, North America and Australia to scope collaborative partnerships in markets where there is the appetite for the roll-out of industrial demonstration opportunities and policy environments that incentivise the early up-take of low carbon energy production processes, or carbon capture technologies.

We continue to focus on identifying prospective early commercialisation opportunities for the Hazer process in these regions and across applications, including heavy manufacturing, steel production, power generation, and transport. The Company is in various stages of discussion – from enquiry, exchange of confidentiality agreements and various levels of due diligence - with over 20 major international companies across Europe, Japan, Asia, North America and Australia. These discussions are continuing, with the aim to progress towards securing the first generation of commercial opportunities that Hazer are seeking to build on the platform and learnings established by the CDP.

To support these key business development activities, the Company is progressing an engineering study with Chiyoda Corporation, which will update the Concept Study for a commercial scale Hazer Plant of a nominal 2,500 tpa capacity.

This initial study will provide the platform to advance our discussions with interested Japanese parties and the potential collaborations with our European, Asian, North American, and Australian partners mentioned above. The completion of this study is expected in H1 FY2022.

We continue to target our previously outlined goal of maturing at least one potential project opportunity through to a feasibility study stage through 2H CY2021 in parallel to completing the construction of the CDP.

Research & Development Activities

Research & Development remains a core activity for Hazer, with high potential impact programs continuing in 2021 in relation to graphite purification, characterisation and catalyst & graphite optimisation research.

During the quarter, Hazer continued to progress R&D studies under our arrangement with the Innovative Manufacturing Cooperative Research Centre, including the study into the novel Electrochemical Purification (ECP) technique to purify the graphite produced in the Hazer Process without the use of high-temperature or aggressive acid treatment. Work on this study will continue through CY21 to complete Phase 1 and establish a scope of further testing and development programs.

Hazer is continuing to explore additional applications for our novel graphitic materials. We continue to be encouraged by the market potential for Hazer Graphite in a range of market segments in both purified and unpurified forms. The Hazer CDP will provide the first larger volume of graphite able to support these market development activities by delivering sufficient material to allow larger scale testing or trials with customers to build on the initial smaller scale samples testing undertaken during the pilot program and apply for future Government grant funding opportunities.

Cashflow commentary

As at 30 September 2021, the Company had cash reserves of \$27.3 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. During the quarter, the Company successfully obtained approval for the release of funds in relation to Milestone 2 of the ARENA Funding Program and resulted in the release of \$1.77 million, which was previously held in a restricted bank account.

Hazer incurred net operating cash outflows of \$1.44 million during the quarter. Operating cash payments totalled \$1.49 million were offset by the receipt of \$0.05 million from the Western Australian State Government for grant milestones approved and paid during the period.

Net operating payments included expenditure for research and development activities of \$0.21 million, staff costs (including research and development employees) of \$0.69 million, and corporate and administration fees totalled \$0.33 million. Financing costs of \$0.13 million related to borrowing costs incurred under the Company's loan facility held with Mitchell Asset Management.

Cash used for investing activities totalled \$4.57 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 when the asset becomes ready for use.

During the quarter, net cash inflows from financing activities were \$8.67 million, comprising of \$7 million before share issue costs from the successful share Placement to sophisticated and institutional investors and \$2 million drawdown from existing Senior Secured loan facilities held with Mitchell Asset Management.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.13 million was paid to related parties during the quarter (as noted in section 6 of the attached Appendix 4C). These payments were salaries, fees and superannuation paid to Directors.

Authorised for release by the Board of the Company.

[ENDS]

Forward-looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather are based on the Company's current expectations about future events and results.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially to futures results expressed, projected or implied by such forward looking statements.

The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statements" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under the applicable securities laws.

ABOUT HAZER GROUP LTD

Hazer Group Limited ("Hazer" or "The Company") is an ASX-listed technology development company undertaking the commercialisation of the Hazer Process, a low-emission hydrogen and graphite production process. The Hazer Process enables the effective conversion of natural gas and similar methane feedstocks, into hydrogen and high-quality graphite, using iron ore as a process catalyst.

For further information or investor enquiries, please contact:

Geoff Ward

Email: contact@hazergroup.com.au

Phone: +61 8 9329 3358

For media enquiries, please contact:

WE Communications – Kirsty Collins

Email: WE-AUHazer@we-worldwide.com

Phone: +61 473 915 763

Hazer Group Limited - Social Media Policy

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Appendix 4C

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

Name of entity

HAZER GROUP LIMITED

ABN

40 144 044 600

Quarter ended ("current quarter")

30 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter \$ A'000	Year to date (3 months) \$ A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development ¹	(212)	(212)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs, including research and development staff	(688)	(688)
(f) administration and corporate costs	(332)	(332)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(131)	(131)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
- R&D tax rebate	-	-
- WA Government grant (Hydrogen Fund)	50	50
1.8 Other (provide details if material)		
- Net GST received / (paid)	(124)	(124)
1.9 Net cash from / (used in) operating activities	(1,437)	(1,437)

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

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		

Consolidated statement of cash flows	Current quarter \$ A'000	Year to date (3 months) \$ A'000
(c) property, plant and equipment ²	(4,574)	(4,574)
(d) investments		
(e) intellectual-property		
(f) 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	(4,574)	(4,574)

² Expenditure in 2.1(c) relates to the Commercial Demonstration Plant (Project) construction. Costs are expected to be eligible for the R&D tax incentive rebate when the asset becomes ready for use.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (excluding convertible debt securities)	7,000	7,000
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	(463)	(463)
3.5 Proceeds from borrowings	2,134	2,134
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	(3)	(3)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	8,668	8,668

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (3 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	24,640	24,640
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,437)	(1,437)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,574)	(4,574)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,668	8,668
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	27,297	27,297

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	21,581	17,365
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	296	85
	- Restricted cash (ARENA grant)	5,420	7,190
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	27,297	24,640

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1³
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$ A'000
125
0

³ Salary, Director's fees and superannuation paid to Directors (\$125k)

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

7. Financing facilities	Total facility amount at quarter end \$ A'000	Amount drawn at quarter end \$ A'000
<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>		
7.1 Loan facilities ⁴	5,550	3,346
7.2 Credit standby arrangements	0	0
7.3 Other – convertible notes issued ⁵	4,000	4,000
7.4 Total financing facilities	9,550	7,346

7.5 **Unused financing facilities available at quarter-end⁴** 2,204

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 \$5.55 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 properties, proceeds or benefits of properties owned by Hazer. It has available one further drawdown of \$2 million after meeting project milestones contained in the loan agreement. The loan has a term of up to 5 years, terminating 30 June 2025, with repayments expected from future R&D tax rebates.

⁵ In April 2021, AP Ventures Fund II GP LLP received approval from the Foreign Investment Review Board (FIRB) for the investment of \$4 million and acquired 4 million unlisted, unsecured \$1 convertible Notes issued by Hazer.

The Convertible Notes (Notes) were issued in April 2021 and can be converted into Hazer ordinary shares between 30 November 2021 to 12 April 2026.

If the Notes are not converted before their Maturity Date on 12 April 2026, the holder may elect Hazer to repay the amount owing for the outstanding convertible notes at nil interest. The Notes are unsecured debt obligations of Hazer and rank equally with other unsecured creditors.

8. Estimated cash available for future operating activities	\$ A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,437)
8.2 Cash and cash equivalents at quarter-end (Item 4.6)	27,297
8.3 Unused finance facilities available at quarter-end (Item 7.5)	2,204
8.4 Total available funding (Item 8.2 + Item 8.3)	29,501
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	21

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

- 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

- 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: 18 October 2021

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.