

Hazer Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Hazer Group Limited
ABN: 40 144 044 600
Reporting period: For the half-year ended 31 December 2018
Previous period: For the half-year ended 31 December 2017

2. Results for announcement to the market

The company has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

				\$
Revenues from ordinary activities	down	37%	to	14,419
Loss for the period	down	57%	to	3,575,590
Loss to the owners of Hazer Group Limited	down	57%	to	3,575,590

Dividends

No dividends were paid in the period.

Comments

The loss for the company amounted to \$3,575,590 (31 December 2017: \$8,345,372).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.62</u>	<u>6.90</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 a 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 2018 is attached.

9. Signed



Signed _____

Date: 14 February 2019

Tim Goldsmith
Director
Perth

Hazer Group Limited

ABN 40 144 044 600

Interim Report - 31 December 2018

Hazer Group Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, of Hazer Group Limited (referred to hereafter as the 'company') at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of Hazer Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Tim Goldsmith
Danielle Lee
Andrew Harris
Simon Rushton

Principal activities

During the financial half-year, the principal continuing activities of the company consisted of research and development of novel graphite and hydrogen production technology.

The company has intellectual property rights to a technology which allows the production of hydrogen gas from methane (natural gas) with negligible carbon dioxide emissions and the co-production of a high purity graphite product (the 'Hazer Process').

Costs associated with the research and development of novel graphite and hydrogen production technology have not at the reporting date met the criteria for recognition as an intangible asset with the exception of costs incurred for the pre-pilot plant which were recognised in the prior year. As a result, the company has recognised all other costs as an expense when incurred. The company will re-assess the treatment of these costs during future periods as the company continues to progress with the development of its technology.

Review of operations

The company was pleased to appoint Geoff Ward as Chief Executive Officer during the half-year, effective 8 October 2018.

The loss for the company amounted to \$3,575,590 (31 December 2017: \$8,345,372).

Losses after income tax decreased by 57% on the prior half-year largely due to the company incurring lower non-cash expenditure. Cash based operating expenses for administration, consulting and research and employees decreased by 6% to \$2,237,553 (31 December 2017: \$2,378,586) following steps taken to consolidate offices and employees in Perth, Western Australia.

Non-cash expenses in the half-year decreased by 77% to \$1,351,496 (31 December 2017: \$5,988,965) largely due to the reduction in the share-based payments expense. Share based payments in the prior half-year included a \$3,672,579 expense for the issue of 11,500,000 Series B Options upon exercise of the Series A Options. The Series A Options, issued prior to the company's listing on the Australian Securities Exchange, were primary Options which upon exercise resulted in the issue of one ordinary share and one Series B Option (a secondary Option).

Research and development activities undertaken during the half-year included operation and testing of the Hazer Process using the Hazer Fluidised Bed Reactor Pilot Plant, developing Front-End Engineering and Design studies for an initial Commercial Demonstration Project and an initial Concept Study for a commercial scale Hazer Plant.

The company's cash and cash equivalents were \$5,760,327 at 31 December 2018 (30 June 2018: \$6,185,009) and net assets at 31 December 2018 were \$5,272,450 (30 June 2018: \$6,884,346).

Hazer Group Limited
Directors' report
31 December 2018

The operating cash outflow for the half-year decreased by 20% to \$1,966,445 (31 December 2017: \$2,473,445) due to timing differences in payments for research and development related activities and lower overall expenditure. Investing cash outflows were \$Nil (31 December 2017: \$220,545). Investing cashflows in the prior half-year related to parts and engineering services associated with the optimisation of the Hazer Fluidised Bed Reactor Pilot Plant.

Financing cash inflows related to the exercise of options and decreased to \$1,541,763 (31 December 2017: \$2,869,336). In the current half-year 4,721,428 Series C Options (\$0.25 exercise price) and 788,333 Listed Options (\$0.30 exercise price) were exercised raising \$1,416,857 before share issue costs. In the prior half-year 11,500,000 Series A Options (\$0.25 exercise price) were exercised which raised \$2,875,000 before share issue costs.

As an early stage 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.

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

On 7 January 2019, 3,448,850 ordinary shares were issued on the exercise of 3,448,850 listed options (ASX code: HZRO) with an exercise price of \$0.30 each raising \$1,034,655. \$136,327 was received in advance and \$898,328 was held in a trust account at 31 December 2018 and received by the company in January 2019.

On 13 February 2019, the company received a \$1,641,767 research and development tax refund for a claim under the Commonwealth Government's Research and Development Tax Incentive Regime. This claim related to the prior financial year.

No matter or circumstance has arisen since 31 December 2018 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 on the following page.

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
Director

14 February 2019
Perth

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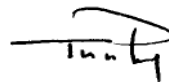
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hazer Group Limited for the half-year ended 31 December 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 February 2019

Hazer Group Limited
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31 December 2018

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General information

The financial statements cover Hazer Group Limited. 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 are:

Registered office

Level 9, 99 St Georges Terrace
Perth WA 6000

Principal place of business

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 14 February 2019.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	31 Dec 2018 \$	31 Dec 2017 \$
Revenue			
Interest received		14,419	22,807
Expenses			
Administration expenses		(595,981)	(629,261)
Consulting and research expenses		(669,733)	(788,596)
Employee benefits expenses		(971,839)	(960,729)
Share based payments		(558,258)	(5,698,134)
Finance costs		(960)	(628)
Amortisation expense		(793,238)	(290,831)
Loss before income tax expense		(3,575,590)	(8,345,372)
Income tax expense		-	-
Loss after income tax expense for the half-year		(3,575,590)	(8,345,372)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		<u>(3,575,590)</u>	<u>(8,345,372)</u>
		Cents	Cents
Basic and diluted losses per share		(3.99)	(10.88)

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 2018

	Note	31 Dec 2018 \$	30 Jun 2018 \$
Assets			
Current assets			
Cash and cash equivalents		5,760,327	6,185,009
Other current assets	2	<u>1,010,455</u>	<u>136,713</u>
Total current assets		<u>6,770,782</u>	<u>6,321,722</u>
Non-current assets			
Pre-pilot plant		-	<u>793,238</u>
Total non-current assets		<u>-</u>	<u>793,238</u>
Total assets		<u>6,770,782</u>	<u>7,114,960</u>
Liabilities			
Current liabilities			
Trade and other payables	3	1,431,703	165,462
Provisions		<u>66,629</u>	<u>65,152</u>
Total current liabilities		<u>1,498,332</u>	<u>230,614</u>
Total liabilities		<u>1,498,332</u>	<u>230,614</u>
Net assets		<u>5,272,450</u>	<u>6,884,346</u>
Equity			
Issued capital	4	17,515,820	16,030,724
Reserves	5	9,221,746	8,752,066
Accumulated losses	6	<u>(21,465,116)</u>	<u>(17,898,444)</u>
Total equity		<u>5,272,450</u>	<u>6,884,346</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 2018

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	13,120,578	2,649,225	(6,889,113)	8,880,690
Loss after income tax expense for the half-year	-	-	(8,345,372)	(8,345,372)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(8,345,372)	(8,345,372)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,869,336	-	-	2,869,336
Share-based payments	-	5,698,134	-	5,698,134
Balance at 31 December 2017	<u>15,989,914</u>	<u>8,347,359</u>	<u>(15,234,485)</u>	<u>9,102,788</u>
Balance at 1 July 2018	16,030,724	8,752,066	(17,898,444)	6,884,346
Loss after income tax expense for the half-year	-	-	(3,575,590)	(3,575,590)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,575,590)	(3,575,590)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	558,258	-	558,258
Shares issued pursuant to the exercise of options	1,485,096	(79,660)	-	1,405,436
Transfer expired options to accumulated losses	-	(8,918)	8,918	-
Balance at 31 December 2018	<u>17,515,820</u>	<u>9,221,746</u>	<u>(21,465,116)</u>	<u>5,272,450</u>

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 2018

	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,979,904)	(2,495,624)
Interest received		14,419	22,807
Interest and other finance costs paid		(960)	(628)
		<u>(1,966,445)</u>	<u>(2,473,445)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for pre-pilot plant		-	(220,545)
		<u>-</u>	<u>(220,545)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from exercise of share options, net of share issue costs		1,405,436	2,869,336
Proceeds from exercise of share options, shares not issued		136,327	-
		<u>1,541,763</u>	<u>2,869,336</u>
Net cash provided by financing activities			
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial half-year		(424,682)	175,346
		<u>6,185,009</u>	<u>8,144,451</u>
Cash and cash equivalents at the end of the financial half-year			
		<u><u>5,760,327</u></u>	<u><u>8,319,797</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
31 December 2018

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the company's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

31 Dec 2018 **30 Jun 2018**
\$ \$

Note 2. Other current assets

Prepayments	27,397	36,101
Deposits	2,640	2,640
GST	82,090	97,972
Share applications *	898,328	-
	1,010,455	136,713
	1,010,455	136,713

*The company received applications for 3,448,850 listed options with an exercise price of \$0.30 each raising \$1,034,655. \$898,328 was held in a trust account at 31 December 2018. The shares were issued on 7 January 2019 and the funds were received by the company.

31 Dec 2018 **30 Jun 2018**
\$ \$

Note 3. Trade and other payables

Accounts payable	319,274	125,179
Accrued expenses	77,774	40,283
Share applications *	1,034,655	-
	1,431,703	165,462
	1,431,703	165,462

*The company received applications for 3,448,850 listed options with an exercise price of \$0.30 each raising \$1,034,655. The shares were issued on 7 January 2019. \$898,328 was held in a trust account and \$136,327 was received by the company as at 31 December 2018.

Hazer Group Limited
Notes to the financial statements
31 December 2018

Note 4. Equity - issued capital

	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>93,812,006</u>	<u>88,302,245</u>	<u>17,481,331</u>	<u>15,884,073</u>
Listed options	<u>3,448,850</u>	<u>24,969,838</u>	<u>34,489</u>	<u>146,651</u>

Movements in ordinary shares

	No of shares	Issue price	\$
Opening balance 1 July 2018	88,302,245		15,884,073
Issue of shares on exercise of Series C options	4,721,428	\$0.25	1,180,357
Transfer Series C options from options reserve	-	-	79,660
Issue of shares on exercise of listed options	788,333	\$0.30	236,500
Share issue transaction costs, net of tax	-		(11,421)
Transfer exercised options from listed options	-	\$0.01	7,883
Transfer lapsed options from listed options	-	\$0.005	104,279
Closing balance 31 December 2018	<u>93,812,006</u>		<u>17,481,331</u>

Movements in listed options

Opening balance 1 July 2018	24,969,838		146,651
Transfer exercised options to ordinary shares	(788,333)	\$0.01	(7,883)
Transfer lapsed options to ordinary shares	(20,732,655)	\$0.005	(104,279)
Balance 31 December 2018	<u>3,448,850 *</u>		<u>34,489</u>

Total issued capital 31 December 2018

17,515,820

* As disclosed in note 9, on 7 January 2019, 3,448,850 ordinary shares were issued on the exercise of 3,448,850 listed options (ASX code: HZRO).

Hazer Group Limited
Notes to the financial statements
31 December 2018

31 Dec 2018 **30 Jun 2018**
\$ **\$**

Note 5. Equity - reserves

Option reserve	9,221,746	8,752,066
	<u>9,221,746</u>	<u>8,752,066</u>

Option reserve

The option reserve records items recognised as expenses on the valuation of share options.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	No of Options	Value \$
Balance at 1 July 2018	43,416,667	8,752,066
<i>New options issued during the half-year vesting over multiple periods</i>		
Series L	2,000,000	125,800
Series M	2,500,000	106,794
Series N	2,000,000	26,481
<i>Existing options issued in prior periods vesting over multiple periods</i>		
Series J-2	-	16,598
Series K-2	-	109,735
Series J-4	-	46,350
Series K-4	-	51,399
Series K	-	75,101
<i>Options exercised & lapsed during the period</i>		
Series C - exercised	(4,721,428)	(79,660)
Series C - lapsed	(528,572)	(8,918)
Balance at 31 December 2018	<u>44,666,667</u>	<u>9,221,746</u>

The value of the options issued during the half-year and vesting over multiple periods and expensed to the statement of profit or loss and other comprehensive income is \$259,075.

31 Dec 2018 **30 Jun 2018**
\$ **\$**

Note 6. Equity – Accumulated losses

Accumulated losses at the beginning of the financial year	17,898,444	6,889,113
Loss after income tax expense for the year	3,575,590	11,009,331
Transfer expired options to accumulated losses	(8,918)	-
Accumulated losses at the end of the financial year	<u>21,465,116</u>	<u>17,898,444</u>

Note 7. Contingent liabilities

The company does not have any contingent liabilities at 31 December 2018.

Note 8. Segment information

The company 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 information presented in the financial report is the same information that is viewed by the Board of Directors.

The company is currently operating in one business segment being an administrative entity in the research sector and one geographic segment being Australia.

Note 9. Events after the reporting period

On 7 January 2019, 3,448,850 ordinary shares were issued on the exercise of 3,448,850 listed options (ASX code: HZRO) with an exercise price of \$0.30 each raising \$1,034,655. \$136,327 was received in advance and \$898,328 was held in a trust account at 31 December 2018 and receipted by the company in January 2019.

On 13 February 2019, the company received a \$1,641,767 research and development tax refund for a claim under the Commonwealth Government's Research and Development Tax Incentive Regime. This claim related to the prior financial year.

No other matter or circumstance has arisen since 31 December 2018 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
31 December 2018

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 2018 and of its performance for the 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
Director

14 February 2019
Perth



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

We have reviewed the accompanying half-year financial report of Hazer Group Limited, which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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

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 2018 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*. As the auditor of Hazer Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 review report.

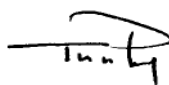
Conclusion

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 2018 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*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 February 2019