

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

Highlights:

- *Construction activity at Hazer Commercial Demonstration Project well advanced (>98% complete) with continued excellent safety performance. Mechanical completion checks and commissioning commenced in April with energising of motor control centre (MCC).*
- *Execution of a Memorandum of Understanding with Suncor Energy Inc. and FortisBC Energy Inc. to develop a 2,500 tpa low-carbon emission hydrogen production facility based on Hazer technology.*
- *Subsequent to the end of the quarter, Hazer was pleased to advise that the proposed Burrard Hazer Hydrogen project will receive up to C\$8 million of grant funding from the province of British Columbia.*
- *Strong financial position with cash reserves of \$21.3 million as of 31 March 2022.*

PERTH, AUSTRALIA; 29 April 2022: 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 2022.

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant update

Construction activities are continuing at the Hazer CDP with structural, mechanical, and piping (SMP) and Electrical and Instrumentation (E&I) works continuing through the quarter.

As at 15 April, construction activities were in excess of 98% complete, with mechanical and electrical verification underway by construction contractor, Primero. The motor control centre (MCC) and main switchboard were energised on 1 April, and initial commissioning activities covering the fire-water, nitrogen, and instrument air systems commenced on 7 April.

A photograph of the site as of 23 April 2022.



As advised on 10 December 2021, a manufacturing defect was detected in the final stages of the forging of the main reactor vessel at the supplier mill in China, impacting the overall cost and completion date of the Project. In response, a revised commissioning and testing plan was developed to allow commissioning to be completed and a revised staged testing to commence from mid-2022. The initial testing phase will utilise a cold reactor to test material fluidisation characteristics, material handling, process control, and utility systems. Data from this first phase will be used to refine and de-risk operational start-up plans for the second testing phase when the hot-wall reactor is installed and commissioned.

During the quarter, the Hazer engineering team finalised engineering, procurement and planning activities with regards to the modifications needed to implement the temporary cold-wall reactor and commence the revised staged testing program.

Process changes, safety reviews, equipment design, procurement, and fabrication activities needed to implement the cold operations phase also progressed in the quarter, and the cold-reactor unit was installed on-site on 13 April.

As previously advised, we expect completion of CDP construction, mechanical and electrical verification and commissioning to be achieved by end June 2022 (excluding the hot-wall reactor and associated high-temperature equipment). We continue to target commencing the first phase of our testing program, initially focussing on the catalyst addition and graphite handling systems from mid-2022.

During the quarter, a review of the manufacturing procedure for the main Hazer reactor vessel was undertaken with our suppliers and independent expert advisors. Following this review, approval was given to the mill to commence the re-manufacture of the reactor vessel (please see our ASX announcement of 20 January for additional information). Manufacture of the reactor vessel has progressed, with the first manufacturing stages being completed. There have been some delays encountered due to covid-19 related restrictions in China and we will continue to monitor the progress of this equipment item closely. We expect this item to be delivered to the Australian fabrication yard for final detailed fabrication in Q3 2022, which is consistent with our current planned staged commissioning schedule. Depending on the results of the initial testing phase, we anticipate installation of the hot-wall reactor to be achieved in 2H 2022 to allow the production of hydrogen and graphite to commence before the end of 2022.

With the changes in scope and schedule caused by the manufacturing issue in the hot-reactor, the inclusion of the cold-reactor unit and cold-operations modifications, and the impact of covid-19 (affecting labour availability and costs), we continue to face costs pressures. We now expect the final cost of the Project to exceed the previously indicated \$25 million but remain within the forecast accuracy range (+/- 10%).

We will continue to closely monitor and control costs in all ways we can. The program for the CDP has evolved as we have progressed through design and construction to now include additional aspects (such as the cold operation phase) that were not contemplated when we originally planned the Project. While these have contributed to additional cost, they will de-risk our operation, provide additional process data insight and contribute value to the development of our technology and achieving the overall success of the CDP.

The impact of the covid-19 pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the covid-19 pandemic, we have seen significant cost increases due to schedule extension and we remain at risk of interruptions to our program through the unavailability of materials, equipment, freight capacity or labour. With the near completion of construction and receipt of all materials and equipment packages into Australia (except for the main reactor) we have passed many of the points of major risk. However, there remain risks associated with the delivery of the main reactor due to covid-19 related restrictions to activities in the Shanghai region which may impact its completion and delivery.

Business Development

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 proposed Hydrogen project will process natural gas feedstock to produce 2,500 tpa low-carbon emission hydrogen and approximately 9,000 tonnes of synthetic graphite by-product.

Under the MOU, Hazer, Suncor and FortisBC have agreed to work collaboratively to develop the project through (i) an initial Feasibility Study, (ii) securing funding arrangements for the project, and (iii) to conclude the binding agreements necessary to establish the project consortium and implement the project. Suncor will lead the

development of the project through the initial feasibility study, engineering, and construction phases of the project, and on completion, will operate the facility. FortisBC will supply natural gas feedstock to the project and will purchase the hydrogen produced from the facility. Hazer will supply the Hazer process technology, lead engineering relating to the core Hazer technology components, and manage the supply of catalyst to the project. The initial high-level schedule for the project targets a final investment decision (FID) in 2023, with operations targeted to commence in 2025.

Subsequent to the end of the quarter, Hazer was pleased to advise that the proposed Burrard Hazer Hydrogen project will receive up to C\$8 million of grant funding from the province of British Columbia.

Under the terms of the Funding Agreement, the funds will be used to support the pre-FID activities of the project, including the initial feasibility study, front-end engineering and design (FEED) studies, permitting applications and studies, and the assessment of capacity to blend produced hydrogen into the Fortis BC natural gas system. The grant funding will also include activities related to advancing the Hazer technology, which will build on the work undertaken for the Hazer Commercial Demonstration Project, currently under construction in Perth WA. These include detailed design for the 2,500 tpa scale reactor and the construction and testing of a prototype version of this reactor at the Burrard project site. The total budget for the pre-FID works is estimated to be C\$11.25 million

Research & Development Activities

Research & development remains a core activity for Hazer, with high potential impact programs continuing in 2022 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.

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.

Cashflow commentary

As of 31 March 2022, the Company had cash reserves of \$21.3 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.

Hazer incurred net operating cash outflows of \$2.7 million during the quarter.

Net operating payments included expenditure for research and development activities of \$1.2 million, staff costs (including research and development employees) of \$0.84 million, and corporate and administration fees totalled \$0.58 million. Financing costs of \$0.1 million related to borrowing costs incurred under the Company's loan facility held with Mitchell Asset Management.

Cash used for investing activities totalled \$4.1 million, incurred on the CDP for engineering and key equipment packages. When the asset becomes ready for use, these costs are expected to be eligible for the R&D tax incentive rebate.

During the quarter, net cash inflows from financing activities were \$0.09 million, comprising borrowing proceeds of \$0.1 million offset by transaction costs of \$0.01 million.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.14 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 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.

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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 2022

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	15
1.2	Payments for		
	(a) research and development ¹	(1,250)	(1,573)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(835)	(2,259)
	(f) administration and corporate costs	(579)	(1,451)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(104)	(323)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
	- R&D tax rebate	0	1,327
	- WA Government grant (Hydrogen Fund)	0	50
1.8	Other (provide details if material)		
	- Net GST received / (paid)	96	(66)
	- Security deposits paid	(6)	(6)
1.9	Net cash from / (used in) operating activities	(2,677)	(4,283)

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

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 ²	(4,078)	(13,652)
	(d) investments		
	(e) intellectual-property		
	(f) other non-current assets	0	(12)
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	(4,078)	(13,664)
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)	0	14,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	72
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(11)	(498)
3.5	Proceeds from borrowings	104	2,326
3.6	Repayment of borrowings	0	(1,327)
3.7	Transaction costs related to loans and borrowings	0	(3)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	93	14,570

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	27,925	24,640
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,677)	(4,283)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,078)	(13,664)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	93	14,570
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	21,263	21,263

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	15,562	22,224
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
	- Deposits for bank guarantees	281	281
	- Restricted cash (ARENA grant)	5,420	5,420
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	21,263	27,925

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ³	143
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

³ Salary, Director's fees and superannuation paid to Directors (\$144k)

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$ A'000	Amount drawn at quarter end \$ A'000
7.1	Loan facilities ⁴	4,220	2,211
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued ⁵	4,000	4,000
7.4	Total financing facilities	8,220	6,211

7.5 **Unused financing facilities available at quarter-end⁴** 2,009

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 \$4.22 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)	(2,677)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	21,263
8.3	Unused finance facilities available at quarter-end (Item 7.5)	2,009
8.4	Total available funding (Item 8.2 + Item 8.3)	23,272
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)⁶	9

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: 29 April 2022

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.