

APPENDIX 4C – 30 SEPTEMBER 2023 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *The Commercial Demonstration Plant (“CDP”) is progressing on schedule to commence start-up in 2023.*
- *Successful final fabrication and installation of replacement heat-exchanger materials (800HT).*
- *CDP furnace has been energised and commissioned ahead of construction completion.*
- *The hot wall reactor key works completed. Final machining and assembly is well advanced and on-track for delivery in early November.*
- *Successful Hazer & FortisBC engagements in British Columbia (BC) to maintain BC Canada project momentum.*
- *Rights issue completed successfully raising \$14.7 million before fees.*

PERTH, AUSTRALIA; 16 October 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 30 September 2023 ("the Quarter").

Discussing quarterly results, Hazer Managing Director Glenn Corrie said: *"Our focus this quarter has been on driving forward the final stages of our Commercial Demonstration Plant where we made material progress with the successful installation of the replacement heat-exchanger and near completion of the machining and assembly of the reactor. We remain on-schedule for start-up this year and are excited to be in the concluding stages of construction and preparing for the commissioning and start-up phase.*

Our CDP is a pivotal milestone in Hazer's technology journey and represents a world-first demonstration of thermo-catalytic methane pyrolysis, a low cost, low emissions hydrogen gamechanger for industry and climate technologies. We are excited about the near-term as we transition Hazer into the commercialisation phase of our growth strategy.

He continued, *"Our successful capital raise strengthens our liquidity, enabling us to operationalize our CDP as planned and concurrently execute our growth strategy accelerating the commercial scale-up of our disruptive technology."*

Key activities undertaken during the Quarter are outlined below:

Commercial Demonstration Plant (“CDP”) Update

The Company's CDP continues to progress on schedule to complete its Phase 2 ('hot operations') construction and commissioning and achieve Ready For Start Up ("RFSU") in 2023.

Following the successful installation of the heat-exchanger equipment, remaining reactor fabrication and site installation activities have materially progressed, further de-risking the start-up schedule: The hot reactor main welding and the critical conditioning step of Post-Weld Heat Treatment (PWHT) have both been completed, marking a major milestone in the hot reactor fabrication process. Successful Non-Destructive Testing (NDT) has been performed, confirming fabrication quality required for service has been achieved. The hot reactor body is in its final machining and assembly stages. This is occurring at a location close to site and is scheduled to be transported to the CDP in early November for installation enabling the hot commissioning phase to commence.



Hazer personnel inspecting final machining of reactor shell



Furnace installation completed and operationally tested

Ahead of the hot reactor arriving, construction and installation of remaining equipment, including the furnace, hot heat exchangers and auxiliary equipment has occurred, enabling the furnace and blowers to be energised and commissioned ahead of construction completion. In-line with the pre-commissioning program, the furnace has been energised to over 300 degrees Celsius and is ready for final commissioning once the hot reactor is in place. This concurrent early commissioning of key process equipment has significantly de-risked the start-up schedule.

The start-up and performance testing program has been developed and focuses on the key operating parameters to be measured during the production phase required to successfully validate the technology for commercial deployment.

As previously reported, back-up alternatives to provide redundancy and manage operating risk are also well-advanced. The second heat-exchanger material (Inconel 617), a higher specification alloy being supplied by Specialty Metals Wiggin (UK), has been completed and is ready for shipping. Separately, during the quarter, Hatch continued to make good progress with the improved reactor technology design which is also being developed for our commercial scale-up project in Canada. Having a second high-quality heat exchanger unit and reactor available during the lifespan of the CDP supports contingency planning and risk mitigation, as well as the research and technical development strategy. This both enables the optimisation of the plant configuration for commercial scale-up and provides important technical data for alternative materials selection. This equipment will be installed and tested in the CDP during 2024 following the performance testing and operational phase that utilises the current hot reactor and the HT800 heat exchanger already installed.

Canadian Project, British Columbia (BC) - Hazer-FortisBC Collaboration

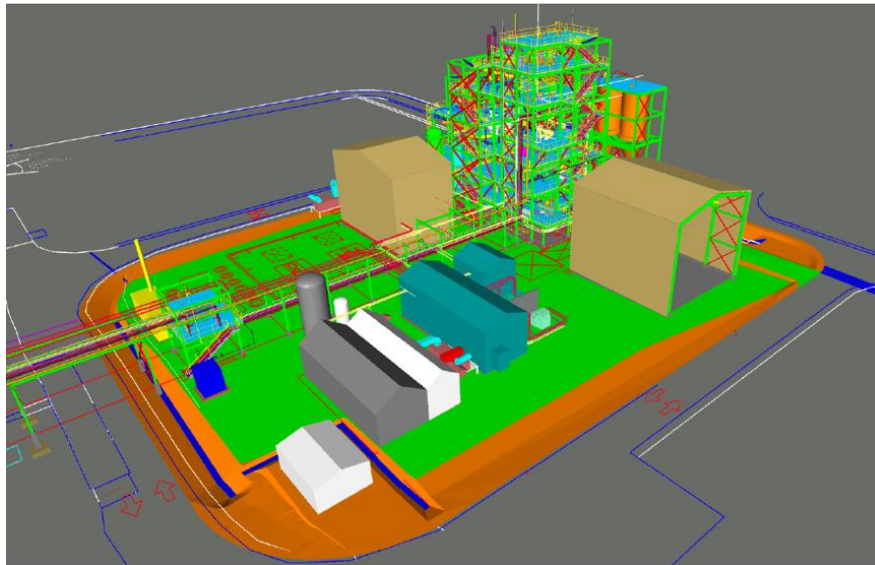
The Hazer-BC Project based in Vancouver, British Columbia Canada, is a joint venture to develop a commercial Hazer plant designed to produce up to 2,500 tonnes per annum (tpa) of hydrogen, a scale-up of 25 times on the CDP.

As announced on 10 July 2023, due to a corporate strategy and portfolio review, Suncor withdrew from the project. FortisBC and Hazer remain firmly committed to the ongoing development of the project and will jointly lead the project to Final Investment Decision (“FID”).

FortisBC, a leading Canadian energy utility owning significant natural gas, electric transmission and distribution infrastructure will supply the natural gas feedstock to the project and take on lead developer role. Hazer will play a lead role relating to the core Hazer technology components.

FortisBC and Hazer have been working closely together to re-align the project and continue with planned activities. Design and engineering work for the 2,500tpa plant and commercial scale reactor have progressed well. Wood

Group has made material progress on the Front-End Engineering & Design (“FEED”) study, which is expected to be completed before the end of the year.



Hazer 2,500tpa plant model and design for Canada project.

The commercial scale reactor to be used for the project is the same improved reactor technology being developed by Hazer in collaboration with Hatch for the CDP, and is therefore well advanced, with detailed engineering and early procurement of the reactor for demonstration at the CDP to commence shortly. A significant engineering effort to resolve all the fabrication details and complete complex internal fluidization modelling has been completed to a stage of confidence that the core design is now ready for detailed engineering.

FortisBC and Hazer have worked together closely in Vancouver to adjust project schedule activities and review alternative site locations. Several interested parties and potential project site options have been identified and are being evaluated, including some that offer simplified regulatory approval processes and flexibility of hydrogen end use and offtake.

Preliminary preparation of government approval submissions has been initiated concurrent with the new site selection, allowing submission as soon as practical. Ongoing engagement with the CleanBC Industry Fund who have provided grant funding of C\$8mln to the project has been constructive, with support received to allow adjustments to the funding agreement for the project scope and partnership changes, demonstrating the commitment by the Government of British Columbia to this important strategic project.

The project will continue to progress other required work streams, including the commercial aspects of project agreements over the coming quarter.

Research & Technology Development

During the Quarter, the Company continued its focus on strategy development, planning and resourcing for key workstreams:

- Process Development – CDP test plan design review to maximise process learnings and reactor scale-up development to optimise design for 10,000tpa hydrogen and larger plant capacities.
- Graphite Market Development – Secure high volume, low complexity offtake prior to optimizing for higher value outlets.
- Catalyst Development – Establish low-cost supply and build fundamental analytical and technical capability to enable optimization and manage quality assurance and quality control.

Progress during the quarter was in line with expectations, with key technical support activities for the Canada reactor design completed and targeted 4Q completion of reactor FEED on track. The test plan development for the next generation reactor design, targeting 10,000tpa and higher single train capacity for the commercial scale-up design was kicked off during the quarter.

Significant progress was made towards securing additional resources required to accelerate the Research and Development strategy including onboarding technical specialists in process development and carbon product development areas. The Australian Research Council (ARC) Research Hub for Safe and Reliable Energy catalyst testing program was commenced at the University of Sydney to build catalyst fundamental knowledge and help establish low-cost, high-performance catalyst supply capability.

Business Development

During the Quarter, Hazer further progressed the collaboration with Chubu Electric and Chiyoda Corporation for a project in Japan (refer announcement 11 April 2023), as well as the collaboration with ENGIE for a project in France (refer announcement 9 May 2023).

In addition, Hazer continued discussions with established companies and other relevant stakeholders in selected countries in Asia, North America, and Europe regarding the development of potential partnerships that would contribute to the commercialization and scale-up of the Hazer technology and future growth of the company. This includes both potential partners for the deployment of the Hazer technology, as well as potential offtake partners for Hazer Graphite.

Corporate Commentary

During the Quarter, the Company successfully completed a non-renounceable pro-rata entitlement offer raising \$14.7 million. Funds raised support Hazer's next phase of growth including operational performance and testing for the Commercial Demonstration Plant, to advance Hazer's existing commercial projects and to pursue further opportunities for Hazer technology deployment.

Under the Entitlement Offer, eligible shareholders were invited to subscribe for 3 new shares for every 16 existing shares held on the record date at an issue price of \$0.48 per new share ("New Share") with 1 attaching new option for every 2 New Shares allotted, with an exercise price of \$0.75 and expiring on 28 February 2025, with new options being quoted on the ASX (HZRO). The offer was strongly supported by eligible shareholders and new investors.

These proceeds strengthen Hazer's funding position and complements other sources of funding including its 2022/23 Research and Development rebate claim and further ARENA grant funding milestones (refer announcement of 2nd February 2023), both due in CY2023.

During the quarter, the Company presented at the TechKnow Conference and ASX Small & Mid Cap Conference, and conducted a strategy webinar on the CDP and on the progress of its projects in Canada, Japan and France. The Company's strategy is focused on the commercial scale-up and monetisation of the Hazer technology. The webinar and associated presentation materials are available on the Company's website.

On 23 August, the company lodged its Appendix 4E & Annual Report to 30 June 2023 and Appendix 4G & Corporate Governance Statement. These are available on the Company's website.

On 1 September, the Company announced the appointment of Neil Brodie as Chief Financial Officer. Mr Brodie had been acting as Hazer Group's Interim CFO since December 2022 and possesses over 25 years of finance, strategic planning, and commercial experience in energy-related industries, including senior roles in the private and public sector.

As of 30 September 2023, the Company had available funds of \$15.1 million. During the Quarter, Hazer had net operating cash outflows of \$4.9 million. This was an unusually high quarter due to higher CDP construction site support to facilitate early commissioning works. Forward quarterly spending is expected to be lower.

Cash used for investing activities totaled \$4.8 million, incurred on the CDP for engineering and key equipment packages, and one-time Canada project engineering of \$1.0 million (which is eligible for reimbursement against the CleanBC Industry Fund grant). CDP costs are expected to be eligible for R&D tax incentive rebates in FY24.

Cash inflows from financing activities totaled \$15.5 million, primarily due to receipt of the Company's rights issue proceeds of \$14.7 million and a short-term loan arrangement of \$1.8 million with Radium Capital secured against its FY23 R&D refund, partially offset by related fees of \$1.0 million.

As required by ASX Listing Rule 4.7C3, the Company notes that \$0.2 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 Company Directors and CEO.

Corporate Access

Glenn will be meeting with investors during the week of the 23 October in Sydney and Melbourne. To organize a meeting, please contact Hannah Howlett below to arrange a suitable time.

Authorised for release by the Board of the Company.

[ENDS]

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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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.

Hazer Group Limited - Social Media Policy

Hazer Group Limited is committed to communicating with the investment community through all available channels. Whilst ASX remains the prime channel for market-sensitive news, investors and other interested parties are encouraged to follow Hazer on Twitter (@hazergroupltd), LinkedIn, Facebook, and YouTube.

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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 2023

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	0	0
1.2	Payments for		
	(a) research and development ¹	(1,959)	(1,959)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(1,854)	(1,854)
	(f) administration and corporate costs	(997)	(997)
1.3	Dividends received (see note 3)		
1.4	Interest received	91	91
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)	(146)	(146)
	- Security deposits received / (paid)	0	0
1.9	Net cash from / (used in) operating activities	(4,865)	(4,865)

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 (3 months) \$ A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment ³	(4,829)	(4,829)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	0	0
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	(4,829)	(4,829)

³ Expenditure in 2.1(c) relates primarily to the Commercial Demonstration Plant (Project) construction. Project Costs are expected to be eligible for the R&D tax incentive rebate.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares (excluding convertible debt securities)	14,711	14,711
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	(996)	(996)
3.5	Proceeds from borrowings	1,759	1,759
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	15,473	15,473

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	9,282	9,282
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,865)	(4,865)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,829)	(4,829)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,473	15,473
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	15,061	15,061

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	12,277	6,498
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	2,451
5.5	Cash and cash equivalents at the end of the quarter (should equal item 4.6 above)	15,061	9,282

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	184
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 (\$184k)

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	1,801	1,801
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued	0	0
7.4	Total financing facilities	1,801	1,801

7.5 **Unused financing facilities available at quarter-end⁴** 0

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.

On 7 August 2023 Hazer Group Limited entered into a Secured Loan Agreement with Innovation Structured Finance Co.,LLC C/- Radium Capital. This loan is secured against the company's Full Year to 30 June 2023 R&D tax refund and will be repaid in full, with interest, upon receipt of said refund. This facility has an annual interest rate of 16% and maturity date of 31 December 2023,

No additional financing facilities have been entered into or are proposed at this time.

8.	Estimated cash available for future operating activities	\$ A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(4,865)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	15,061
8.3	Unused finance facilities available at quarter-end (Item 7.5) ⁵	0
8.4	Total available funding (Item 8.2 + Item 8.3)	15,061
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)⁶	3

⁶ Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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: 16 October 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.