

APPENDIX 4C – 30 SEPTEMBER 2019 COMPANY UPDATE & QUARTERLY CASHFLOW REPORT

Highlights:

- *Application for funding from the Australian Renewable Energy Agency (ARENA) under the Advancing Renewables Program was approved by the Board of ARENA. The Board of ARENA approved ARENA to enter into negotiations for a funding agreement of up to \$9.41 million to support the construction and operation of the Hazer Process Commercial Development Project (CDP).*
- *Initial detailed design activities for the CDP, which are necessary to allow the project to progress to full EPC contracting and procurement, advanced with engineering partner Primero Group Limited.*
- *Awarded matching Innovative Manufacturing CRC funding of \$800,000 to support the ongoing successful research and development collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering and progress research in advanced carbon materials applications*
- *Cash reserves of A\$4.9 million as at 30 September 2019.*

PERTH, AUSTRALIA; 30 OCTOBER 2019: Hazer Group Ltd ("Hazer" or "the Company") (ASX: HZR) lodges the attached Appendix 4C Quarterly Cashflow Report for the 3-month period ended 30 September 2019.

Activities update

During the quarter, Hazer made important steps towards securing a Commercial Demonstration Plant ("CDP") with the successful application for funding from the Australian Renewable Energy Agency (ARENA), and advancing initial detailed design activities for the CDP which are necessary to allow the project to progress to full EPC contracting and procurement.

The Hazer CDP will be the first fully integrated, operational production facility based on the Hazer Process and represents the key next step in fully commercialising the Hazer technology.

Hazer also continued to support Mineral Resources Limited (ASX: MIN) under the Binding Collaboration Agreement between the companies with the planning and operations of the test program at the Mineral Resources' owned Paddle-Tube-Reactor (PTR) Pilot Plant, and analysis of the results of the program.

Application for ARENA funding for CDP successful

As advised on 2 September 2019, our application for funding from ARENA under the Advancing Renewables Program was approved by the Board of ARENA. The Board of ARENA approved ARENA to enter into negotiations for a funding agreement of up to \$9.41 million to support the construction and operation of the Hazer Process Commercial Development Project.

The Hazer Process CDP is a 100 ton per annum low emission hydrogen production facility that will be the first large scale, fully integrated deployment of the Hazer Process and is proposed to be located at the Water Corporation's Woodman Point Waste-Water Treatment Plant, utilising biogas produced at the treatment plant

as feedstock to produce hydrogen and graphite. The design and construction phase of the project is scheduled to be completed in December 2020, with operations running from January 2021 to December 2023. The Commercial Demonstration Project has an estimated capital cost of \$15.8 million.

The funding application proposed a total funding package of \$9.41 million, including a grant facility of \$7.9 million to support the capital expenditure phase of the project, and \$1.5 million to support the operating phase of the project. Overall, the proposed ARENA funding is expected to cover 40.9% of the total project costs over the total duration of the demonstration project.

Any funding advanced will be contingent on Hazer and ARENA executing a Funding Agreement and the satisfaction of certain conditions, in a form acceptable to ARENA, including the completion of a Biogas Supply and Hydrogen Offtake agreements, and demonstrating sufficient financing to allow completion of the project. Hazer is working with ARENA to finalise the Funding Agreement and anticipates having this completed in the next quarter.

During the quarter, discussions continued with potential hydrogen off-takers for the CDP. Hazer is seeing significant interest from a number of partners and stakeholders to use the CDP to develop a hydrogen hub for transport and/or other clean hydrogen applications in the Perth and South West regions of Western Australia. This interest is being encouraged by the strong support shown for development of hydrogen hubs and transport projects in the WA Renewable Hydrogen Strategy (released in July) and the anticipated recommendations from the National Hydrogen Strategy paper (expected to be released by Dr Alan Finkel on 22 November 2019).

Hazer is continuing discussions with potential hydrogen customers and will progress these discussion in parallel with the ongoing technical development of the CDP and finalisation of funding arrangements with ARENA.

Initial detailed design activities for the CDP advanced with Primero

In July 2019, Hazer appointed Primero Group Limited (Primero) as its preferred engineering partner under an Early Contractor Involvement (ECI) scope of work. During the quarter, the initial detailed design activities have been progressed as per the planned schedule.

Initial detailed design activities under the ECI contract are planned to be completed within the next quarter, including update and confirmation of estimated capital cost. This will allow us to consider moving to contracting and procurement activities for the Hazer CDP.

Research & Development Activities

Test program and R&D activities are ongoing at both our Fluidised Bed Reactor (FBR) Pilot Plant which is co-located at the Mineral Resources site at Kwinana, Western Australian, and through our collaboration with University of Sydney. The results of these programs will support the ongoing CDP engineering and Commercial Scale Hazer Plant development studies, as well as furthering our understanding of the applications and functionalisation of Hazer produced graphite advanced carbon material.

Subsequent to the end of the quarter, Hazer announced that it has partnered with the Innovative Manufacturing CRC (IMCRC) to progress its research in advanced carbon materials (ACM) applications. IMCRC is a not-for-profit, independent cooperative research centre that helps Australian companies increase their global relevance through research-led innovation in manufacturing products, processes and services.

Hazer has been awarded matching IMCRC funding of \$800,000 to support its ongoing successful research and development (R&D) collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering.

Over the next two years, researchers will be investigating the use of graphite ACM derived from Hazer's novel manufacturing process - the Hazer Process, focusing on applications including Li-ion batteries, water purification, and additives for lubrication products. Previous R&D projects have indicated promising results in these three product sectors, as well as potential to be used as an additive in advanced building materials and cement.

Mineral Resources PTR Pilot Plant & Cooperation Agreement

During the quarter, Hazer continued to support Mineral Resources in its assessment of the PTR results and assisting as required in taking their decision to continue to Stage 2 of the strategic partnership. Under Stage 2, Mineral Resources will design, construct and own an initial small-scale synthetic plant based on the Hazer Process).

Commercial opportunities in the hydrogen market

There is enormous potential for hydrogen to play a significant role in the Australian economy through providing energy storage, services in grid support and resilience, in direct use as a transport fuel, and as a source of low emission heat and power. The completion of the Hazer Commercial Demonstration Plant is a key step to demonstrate the robustness and value of our technology and position Hazer to capture opportunities in this important growth market.

In parallel to the CDP, Hazer has commenced initial discussions with potential customers for commercial projects in Asia. Hazer is experiencing increasing enquiry in relation to its technology and is targeting emerging premium low emission hydrogen opportunities in Europe and in Asia.

Cashflow commentary

Cash reserves decreased by \$1.093 million to \$4.914 million during the quarter due to net operating cash outflows covering the Company's ongoing technical development, project development, research and development, and administration activities.

Looking ahead, the Company anticipates one-off expenditure costs under a contract for an Early Contractor Involvement (ECI) phase scope of work, with Primero Group to largely fall due in the next quarter ended 31 December 2019. This cost will cover the initial detailed design activities needed to enable the CDP project to progress to full EPC contracting and procurement. This will result in moderately higher net operating cash outflow compared to recent quarters.

The Company is currently finalising its R&D tax incentive claim for the financial year ending 30 June 2019 which is anticipated to be lodged in the next quarter. The Australian Federal Government's R&D Tax Incentive program provides a cash refund on eligible research and development activities performed by Australian companies and is an important program to support Australian innovation

[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.

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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, Google+ and YouTube.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

HAZER GROUP LIMITED

ABN

40 144 044 600

Quarter ended ("current quarter")

30 SEPTEMBER 2019

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	(309)	(309)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(538)	(538)
(f) administration and corporate costs	(252)	(252)
1.3 Dividends received (see note 3)		
1.4 Interest received	16	16
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		
1.8 Other (provide details if material)		
- Net GST received / (paid)	(10)	(10)
1.9 Net cash from / (used in) operating activities	(1,093)	(1,093)

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) property, plant and equipment			
(b) businesses (see item 10)			
(c) investments			
(d) intellectual property			
(e) other non-current assets			
2.2 Proceeds from disposal of:			
(a) property, plant and equipment			
(b) businesses (see item 10)			
(c) investments			
(d) intellectual property			
(e) 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		0	0

3. Cash flows from financing activities			
3.1 Proceeds from issues of shares			
3.2 Proceeds from issue of convertible notes			
3.3 Proceeds/(refund) from exercise of share options			
3.4 Transaction costs related to issues of shares, convertible notes or options			
3.5 Proceeds from borrowings			
3.6 Repayment of borrowings			
3.7 Transaction costs related to loans and borrowings			
3.8 Dividends paid			
3.9 Other (provide details if material)			
3.10 Net cash from / (used in) financing activities		0	0

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 beginning of quarter/year to date	6,007	6,007
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,093)	(1,093)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	4,914	4,914

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	4,805	5,898
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other – bank guarantee	109	109
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,914	6,007

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	120
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
- Director fees and superannuation paid to Directors (\$120k)		

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(710)
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	0
9.4 Leased assets	0
9.5 Staff costs	(574)
9.6 Administration and corporate costs	(389)
9.7 Other (provide details if material)	0
9.8 Total estimated cash outflows	(1,673)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.



Sign here:
(Company secretary)

Date: ..30 October 2019.....

Print name:Emma Waldon.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.