

HAZER COMMERCIAL DEMONSTRATION PROJECT FINAL INVESTMENT DECISION APPROVAL

PERTH, AUSTRALIA; 31 JULY 2020: Hazer Group (ASX: HZR) advises that the Board has approved the final investment decision to proceed with the Hazer Commercial Demonstration Plant (CDP).

Final Investment Decision & Appointment of EPC Contractor

The CDP is a 100-ton-per-annum low-emission hydrogen production facility that will be the first larger-scale, fully integrated deployment of the Hazer Process. The hydrogen produced will be fuel cell grade, capable of use as a low-emission transport fuel, for power generation or in clean industrial applications.

The Hazer CDP will be located at Water Corporation's Woodman Point Wastewater Treatment Plant at Munster in Western Australia. The CDP will use biogas produced at the treatment plant as feedstock to produce hydrogen and graphite. The Project will utilise approximately two million standard cubic metres of biogas that is currently being flared for environmental mitigation. A Biogas Supply Agreement and Project Collaboration Agreement have been executed with Water Corporation (refer to ASX Announcement titled "Execution of Binding Agreements with Water Corporation" dated 26 May 2020), providing security of feedstock supply and access to the Project site.

The Board has revised the previously announced CAPEX budget of \$16.65 million to \$17.0 million. The Project scope has been expanded to include a stationary hydrogen fuel cell power-generation system. This will allow Hazer to use some of the hydrogen produced by the CDP to generate its own renewable power, thereby offsetting power purchased from utility providers and reducing Project operating costs. The installation of the hydrogen fuel cell will be one of the first larger-scale installations in Australia and will demonstrate the technology's ability to be integrated with the Australian grid.

Hazer has appointed Perth-based Primero Group as the engineering, procurement, and construction contractor for the Project. Hazer has been working with Primero Group under an Early Contractor Involvement contract to develop the detailed design, procurement packages, project schedules and budgets since June 2019. Due to the CDP's pioneering nature and the need for Hazer, as the process technology owner, to be closely involved in design and procurement decisions, the contract with Primero will be a reimbursable contract with a target budget in place against a detailed scope of work and cost estimate.

The CDP is expected to commence pre-commissioning activities in Q2 2021 and achieve practical completion in mid-2021. The Project is intended to operate for up to three years or until the end of 2023, depending on the future operational plans of the Woodman Point facility.

ARENA Funding Agreement

As previously advised, Hazer has entered into a binding funding agreement with the Australian Renewable Energy Agency (ARENA) for a grant of up to \$9.41 million to support the construction and operation of the CDP (refer to the following ASX announcements for further details "Execution of ARENA Funding Agreement" released on 16 March 2020 and "ARENA Funding Agreement Additional Information released on 23 March 2020).

Hazer is pleased to advise that all conditions precedent to this agreement have been, or are capable of being met and Hazer will be able to draw down the grant upon achievement of the agreed milestones, submission of required reports, and verification of submissions by ARENA.

Hydrogen Offtake Agreement

While there is substantial interest in developing hydrogen end-use markets in Australia, including in Western Australia, at this time Hazer has not been able to secure a binding agreement with BOC Ltd for the hydrogen produced from the CDP. The intended end-use arrangements for the hydrogen produced by the CDP have not matured in the timeframe originally anticipated or hoped for by BOC and Hazer. Hazer will continue discussions with BOC to explore opportunities to place the Hazer hydrogen; however the scope of the Project has been revised to include the capacity for Hazer to self-consume the hydrogen via a stationary hydrogen fuel cell power-generation system. This arrangement has been accepted under the relevant conditions set out in the ARENA Funding Agreement.

Due to the limited planned duration of the CDP trial (maximum three years) and the relatively small quantities of hydrogen to be produced, the change to self-consumption does not materially affect the Project's financing or the Company's funding requirements.

\$6 million Senior Secured Loan Facility

Hazer has executed binding agreements with Mitchell Asset Management (MAM) in its capacity as trustee for the Mitchell Asset Management Go-Innovation Finance Fund (ABN 88 447 520 706) for a \$6 million senior secured loan facility to support the construction of the CDP, for which the parties had previously entered into a non-binding Term Sheet (refer to ASX Announcement titled "Hazer Completes \$8.4m Placement And Executes \$6.0m Debt Term Sheet" released on 12 June 2020).

The key purpose of the loan is to fund the R&D activities associated with the construction of the CDP, however, the loan may also be utilised to improve the short term liquidity of the company and cover the lending costs. The loan, which will be called down in 3 tranches of \$2 million each, has a term of up to 5 years with repayments to be made from future R&D Tax Incentive payments received by Hazer. MAM will hold security over all future R&D Tax Incentive rebates received by the Hazer, as well as a registered security interest over the present and future assets of Hazer, under a general security deed to be granted by Hazer in favour of MAM. The drawdown of the first tranche is expected to be made in Q3 2020. A brief summary of the key commercial terms of the loan facility is set out as Appendix 1 to this announcement.

Funding Update

Following the successful capital raising undertaken in June 2020, Hazer has cash reserves as at 30 June 2020 of \$17.24 million. Together, Hazer's cash resources, the MAM loan and the ARENA grant are forecast to be sufficient to fully fund the construction of the CDP and the first 12 months of planned operations, plus the Company's ongoing R&D program, business development activities and ongoing corporate costs until June 2022.

Hazer Group Managing Director Geoff Ward said:

"This is a significant milestone, and we look forward to moving smoothly into Project execution. The Hazer CDP is a key step in demonstrating the commercial readiness of our technology to the growing national, and international, low-emission hydrogen market. We are delighted to continue the development of this novel Australian technology. We look forward to working with Primero to execute an excellent project.

"We are grateful for the support of ARENA and Water Corporation in making this exciting world-first project possible. The Hazer technology enables a new source of low-emission renewable hydrogen to be developed. It will increase the utilisation of waste resources, improve civic infrastructure and offer new economic opportunities through the development of graphite-manufacturing opportunities and hydrogen for transport or clean energy. We acknowledge ARENA and Water Corporation for supporting the CDP."

This announcement was authorised for release by the Board of the Company.

Appendix 1 – Summary of key terms of Senior Secured Loan Facility

The key commercial terms of the senior secured loan facility provided by MAM to Hazer are summarised in the table below:

Loan amount: AUD 6,000,000, to be drawn in 3 tranches of up to AUD 2,000,000.

Term: 5 years

Availability period: From financial close until 28 February 2021

Repayment:

Repayment Date	Amount of Repayment
1. On the earlier of 28 February 2021 and the date on which the Borrower receives the R&D Tax Offset Refund for the financial year ending 30 June 2020.	The greater of: • \$800,000; and • the amount of the R&D Tax Offset Refund for the financial year ending 30 June 2020.
2. On the earlier of 28 February 2022 and the date on which the Borrower receives the R&D Tax Offset Refund for the financial year ending 30 June 2021.	The greater of: • \$600,000; and • the amount of the R&D Tax Offset Refund for the financial year ending 30 June 2021.
3. On the earlier of 28 February 2023 and the date on which the Borrower receives the R&D Tax Offset Refund for the financial year ending 30 June 2022.	The greater of: • \$3,100,000; and • the amount of the R&D Tax Offset Refund for the financial year ending 30 June 2022.
4. On the earlier of 28 February 2024 and the date on which the Borrower receives the R&D Tax Offset Refund for the financial year ending 30 June 2023.	The greater of: • \$3,500,000; and • the amount of the R&D Tax Offset Refund for the financial year ending 30 June 2023.
5. On the earlier of 28 February 2025 and the date on which the Borrower receives the R&D Tax Offset Refund for the financial year ending 30 June 2024.	The greater of: • \$400,000; and • the amount of the R&D Tax Offset Refund for the financial year ending 30 June 2024.
6. Termination Date	All outstanding Debt

Security: General security deed to be granted by Hazer in favour of MAM, over the present and after acquired property of Hazer.

[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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