

CEO LETTER TO SHAREHOLDERS

30 October 2018

Dear Shareholder,

I am delighted to have joined Hazer Group at this exciting time. I am grateful for the opportunity to lead the company through its next stage of development and thought I would briefly write to introduce myself and share my initial thoughts on joining the company.

On a global scale the company is poised at a very opportune time. The decades-long macro-trend to more efficient sustainable industrial practices continues and is accelerating. This is not just in the continued development and investment in renewable energy but in the search for, and adoption, of improved, more efficient industrial practices in construction materials, chemical processing, steel manufacturing and all heavy industries. Doing things in more sustainable ways is simply good business, delivering lower costs, higher returns and lower risk.

The increased use of hydrogen and graphite is a key part of this transition, with the use of both expected to increase substantially over many years. Hazer is well positioned to take advantage of this global trend; I believe we are the right technology at the right time.

Secondly, I am very impressed with what Mark Edwards, Dr. Andrew Cornejo, and all the technical team have achieved with the Hazer Fluidised Bed Reactor (FBR) Pilot Plant at St. Marys over the last six months. I would like to thank them all for their efforts and are very confident we will see continued good results as we relocate to Perth to be co-located with our partner Mineral Resources. Mineral Resources are continuing to progress the Paddle Tube Reactor Pilot Plant and this unit is also expected to be on-line by the end of 2018.

The excellent pilot plant results and the learnings we have gained from our testing program over the last 3 months, gives me confidence that we will be able to effectively scale up to commercial demonstration plants in the next year and beyond to large scale commercial operations. I look forward to working on this exciting challenge as we move into the next stage of Front-End Engineering and Design (FEED) and concept studies.

Thirdly, I believe that we have established a strong and effective base with which to progress the next stage of our development. Within a low overall cost structure, we have a strong technical capacity which is capable of safely and effectively securing and delivering the next stage of a commercial demonstration plant that secures markets for both our hydrogen and graphite products. In pursuing this we will continue to work closely with Mineral Resources, and in addition, we will also engage with other parties with a focus on the growing hydrogen market. The Company is seeing significant interest in our technology from potential development and offtake partners and we will be working to secure agreements with the right parties for the next stage of our development over the next months.

I firmly believe that we have the capacity to significantly progress the Hazer technology within the company's means - financial, technical and commercial. In short, I believe we can do a lot to progress at low cost.

Lastly, I would like to thank all shareholders for their continued support of Hazer. Your interest in the company and support of its activities has been critical to the company's success. To all those people who are holders of our listed options (ASX: HZRO) can I please remind you that they will expire on Dec 31, 2018. You will receive a formal letter from the Company towards the end of November setting out the timetable to deal with your options. I urge you to read this carefully and to make arrangements with regards to your options in sufficient time. We would love to welcome all option holders as shareholders of Hazer and would encourage all those who are intending to exercise their options to do so as soon as possible.

Thank-you again for the opportunity to lead the company. I greatly value the trust that the Board has placed in me. I look forward to working with all of you to advance the Hazer Process to commercial success.

Your Sincerely,

Geoff Ward
Chief Executive Officer

APPENDIX 4C – 30 SEPTEMBER 2018 QUARTERLY CASHFLOW REPORT

PERTH, AUSTRALIA; 30 OCTOBER 2018: Hazer Group Ltd (“Hazer” or “the Company”) (ASX:HZR, HZRO) lodges the attached Appendix 4C Quarterly Cashflow Report for the 3 month period ended 30 September 2018.

The Company had cash reserves of \$5.394m as at 30 September 2018, decreasing by \$0.791m during the quarter.

Underlying operating cash outflows of \$0.929m for the quarter (excluding R&D tax rebates) were a significant 45% reduction on the prior corresponding period (June 2018 Q: \$1.675m) reflecting:

- (i) cost savings achieved through the consolidation of the Hazer head office and technical team into Western Australia, exiting the Sydney office lease (completed 27 July 2018) and a reduction in overall employee headcount; and
- (ii) a reduction in R&D expenditure as the upgraded pilot plant located in St Mary’s, Sydney entered an operational and testing phase.

The Company benefited from investing cashflows of \$0.138m from the exercise of options during the quarter.

The Company was pleased to report on the following key activities and achievements during the quarter:

- successful upgrade and commissioning of the 2nd Generation Pre-Pilot Plant with multiple test runs exceeding capacity targets by ~300%. Due to the significant increase in capacity of this plant, it is now referred to as the FBR Pilot Plant and has a production capacity that is a relevant demonstration of Hazer’s core reactor technology;
- successful testing and validation of the Hazer process in a third party operated Fluidized Bed Reactor system. This enabled testing of alternative heating methods, with validation of critical engineering design parameters required for scale-up design;
- engagement of GLP Group Pty Ltd to progress Front End Engineering and Design (FEED) for a small-scale commercial demonstration plant together with a concept engineering study for a large-scale commercial plant based on the Hazer process; and
- the appointment of Geoff Ward as Chief Executive Officer (CEO). Geoff is a senior executive and business leader with over 20 years’ experience in the oil and gas, resources and renewable energy sectors. Geoff’s experience covers strategy, commercial management, financial management, mergers and acquisitions, capital project development, and operations.

Operating cash outflows are forecast to increase in the next quarter with payments due under the next research collaboration project with Sydney University, costs associated with the relocation of the Pilot Plant to Perth and increased payroll costs with the CEO appointment. The increase in operating outflows is expected to be more than offset by the receipt of an R&D tax rebate for the financial year ended 30 June 2018 and further option exercises (to date an additional \$0.142m in option exercise proceeds have been received since 30 September 2018).

Based on the current technical plan and cost saving measures being implemented, the Company still anticipates that its current cash reserves are sufficient to fund the business until at least the end of calendar year 2019. Principal components of our forward technical plan include:

- the relocation to Perth and further testing of the Hazer Pilot Plant,
- ongoing research projects including further assessment of the graphite produced from the Hazer Process to develop market opportunities and support future offtake agreements,
- assessment of the performance of the multiple reactor options being pursued and progress the engineering design process for a demonstration plant,
- proving of the Hazer technology at larger scale production levels both through the collaboration with Mineral Resources Limited (ASX: MIN) and development of hydrogen focused commercial demonstration projects, and
- development of financial models and business case scenarios to support future large scale development opportunities.

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.

For further information, investor or media enquiries, please contact:

Geoff Ward

Email: contact@hazergroup.com.au

Phone: +61 8 6230 2259

Tom Murrell

Phone: +61 417 984 996

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.

Subscribe to HAZER NEWS ALERTS - visit our website at www.hazergroup.com.au and subscribe to receive HAZER NEWS ALERTS, our email alert service. HAZER NEWS ALERTS is the fastest way to receive breaking news about @hazergroupltd.



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 2018

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	(194)	(194)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs including research and development staff	(489)	(489)
(f) administration and corporate costs	(302)	(302)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	7
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)	49	49
1.9 Net cash from / (used in) operating activities	(929)	(929)

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		138	138
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		138	138

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	6,185	6,185
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(929)	(929)
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)	138	138
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	5,394	5,394

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	5,324	6,115
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other – bank guarantee	70	70
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,394	6,185

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	40
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	
<div>- Consultancy fees paid to former Managing Director (\$4k)</div> <div>- Director fees and superannuation paid to Non-Executive Directors (\$36k)</div>		

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	(450)
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	0
9.4 Leased assets	0
9.5 Staff costs	(630)
9.6 Administration and corporate costs	(320)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(1,400)

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 2018.....

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.