Hazer Group Limited (ACN 144 044 600)
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APPENDIX 4C – 30 SEPTEMBER 2020 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *Approved the Final Investment Decision for the Hazer Commercial Demonstration Plant ("CDP") project and appointed Primero Group as our engineering, procurement and construction contractor.*
- *Progressed detailed engineering, procurement and permitting activities for the Hazer CDP. At end of quarter, detailed engineering estimated to be 55% complete with main package long lead item orders placed.*
- *Confirmation received from the Australian Renewable Energy Agency (ARENA) that the Milestone 1 conditions of the Funding Agreement have been achieved, release of the $2.2 million Milestone 1 grant in the course of being processed.*
- *Execution of binding agreements for a $6.0 million senior secured loan facility from Mitchell Asset Management (MAM Loan Facility). The first $2.0 million drawdown is expected in Q4 calendar year 2020.*
- *Investment Terms Agreed with AP Ventures Fund II GP LLP, a fund headquartered in London with a global mandate to invest in pioneering new technologies and companies.*
- *Cash reserves of $15.53 million as at 30 September 2020. Subsequent to the end of the quarter further liquidity added with receipt a $0.951 million R&D Tax Incentive rebate for FY20 and option exercise proceeds totalling $2.440 million.*

PERTH, AUSTRALIA; 30 OCTOBER 2020: 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 2020.

Key activities undertaken during the quarter are outlined below:

Commercial Demonstration Plant update

During the quarter, the Company was pleased to advise that the Board had approved the final investment decision to proceed with the Hazer CDP and appointed Primero Group Ltd (ASX: PGX) as our engineering, procurement, and construction contractor for the Project.

The proposed Hazer Process CDP is a 100 tons per annum, low-emission hydrogen production facility that will be the first larger-scale, fully integrated deployment of the Hazer Process. The CDP will be located at the Water Corporation's Woodman Point Waste-Water Treatment Plant in Western Australia and utilise biogas produced at the treatment plant as feedstock to produce renewable, low emission hydrogen and graphite. Successfully executing the CDP to demonstrate the scale-up of the Hazer process technology represents the key next step in fully commercialising the Hazer Process and approval to proceed with the project is a significant milestone for the Company.

During the quarter and up to the date of this report detailed design, procurement and permitting activities were progressed. Key achievements during the quarter included:

- Detailed design activities were progressed to 55% complete (in line with project schedule);
- Orders for main equipment packages covering CO2 removal, hydrogen purification, and compression equipment were placed with vendors; and
- Development Application, Works Approval, and Clearing Permit were received from City of Cockburn and WA State Government. All approvals achieved within schedule with Aboriginal Heritage approval expected to be received in Q4 calendar year 2020.

The project has an approved capex budget of $17.0 million. The company is closely monitoring the project budget and assessing any impact from disrupted supply chains due to the Covid-19 pandemic. No material impacts have been identified to date and the company retains a contingency allowance within the project should impacts be identified as we progress the project.

Hazer is continuing to monitor potential project schedule risks from the Covid-19 impact due to delay or slower than anticipated delivery of project materials or equipment. The Hazer CDP is scheduled to commence pre-commissioning activities during Q2 calendar year 2021, with commissioning and practical completion continuing in to Q3 calendar year 2021. The Project remains on schedule to commence site preparation activities before the end of 2020, with civil construction activities to commence in early 2021.

Together Hazer's cash resources, a $6.0 million senior secured MAM Loan Facility and an ARENA grant of up to $9.41 million are forecast to be sufficient to fully fund the construction of the CDP and the first 12 months of planned operations, along with the Company's ongoing R&D program, our business development activities and ongoing corporate costs until June 2022. Hazer provides an update on its third party project funding arrangements below.

ARENA Funding Agreement, confirmation received that the Milestone 1 grant funding conditions have been achieved

In March 2020, Hazer executed a binding Funding Agreement with the Australian Renewable Energy Agency (ARENA) for grant funding of up to $9.41 million under the Advancing Renewables Program to support the design, procurement, construction and operation of the Hazer CDP.

Under the Funding Agreement, Hazer is eligible to call down up to $7.9 million of funding in three tranches during the capital construction phase of the project subject to meeting key design, contracting, construction and commissioning milestones, with up to a further $1.5 million available to be called down in three annual tranches during the operational phase of the project.

Subsequent to the end of the quarter, the total grant funding amount of $9.41 million was received into a Hazer bank account, jointly controlled by Hazer and ARENA. Funds can be withdrawn from this account upon approval by ARENA that the relevant funding milestone has been achieved. Hazer is pleased to advise that it has received confirmation from ARENA that the Milestone 1 conditions of the Funding Agreement have been achieved, with release of the $2.2 million Milestone 1 grant in the course of being processed.

Hazer thanks the team at ARENA for their continued support as we progress execution of the CDP project.

Please refer to the following ASX announcements for details of the key terms of ARENA Funding Agreement - ASX announcements titled "Execution of Arena Funding Agreement" released on 16 March 2020 and "Arena Funding Agreement Additional Information" released on 23 March 2020.

MAM Loan Facility update, first $2.0 million drawdown expected in Q4 calendar year 2020

In July 2020, the Company 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.

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

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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 $2.0 million tranche is expected to be made in Q4 calendar year 2020.

Please refer to ASX announcement titled “Hazer Commercial Demonstration Project Final Investment Decision Approval” released on 31 July 2020 for a summary of the key commercial terms of the loan facility.

Investment Terms Agreed with AP Ventures

Subsequent to quarter end, the Company was delighted to advise that it has executed a non-binding term sheet with AP Ventures Fund II GP LLP (APV) for a $4.0 million investment in Hazer by APV.

AP Ventures is headquartered in London and manages venture capital funds with a global mandate to invest in pioneering new technologies and businesses which aim to solve global challenges such as renewable energy integration, resource scarcity and rapidly changing demographics (www.apventures.com). APV’s portfolio is concentrated in the hydrogen sector, with its investments supporting companies through their commercialisation and scale up phases.

Under the terms of the proposed agreement, APV will make a $4 million investment in Hazer and acquire 4 million unlisted notes and 2.25 million unlisted options in Hazer. Please refer ASX announcement titled “Hazer & AP Ventures Agree Investment Terms” released on 12 October 2020 for further details.

The proposed terms are non-binding and remain subject to execution of definitive binding documentation which is currently under negotiation. The transaction will be conditional on receipt of all necessary approvals, including any approvals required under the ASX Listing Rules, the Corporations Act 2001 (Cth) and the Foreign Acquisitions and Takeovers Act 1975 (Cth).

The Company is currently seeking approval from the ASX as required under the ASX Listing Rules and subsequent to this, the required resolutions will be put to shareholders for approval at a General Meeting. This meeting is anticipated to be held during December 2020.

Commercial Collaborations

Hazer continued discussions of potential project opportunities with potential customers and collaboration partners including under the Memorandum of Understanding with Chiyoda Corporation. The Company continues to see strong international and domestic interest in the Hazer Process particularly given the increased focus on the role of hydrogen in decarbonisation strategies in Asia and Europe,

These opportunities will be advanced in parallel with the CDP project execution. The completion of the CDP is a major step to demonstrate the scaleup of the Hazer technology and its commercial readiness. The Hazer CDP will provide a strong reference site for future commercial partners. It is the Company’s target to advance one or more selected opportunities to feasibility study stage in parallel with the completion of the CDP.

In Q1 calendar year 2020, Hazer announced it was a successful applicant for Feasibility Study funding under the Western Australian state government’s Renewable Hydrogen Fund to complete a Feasibility Study into establishing a renewable hydrogen refuelling hub based in the Mandurah / Peel region.

During the last period Hazer has progressed this study with the formation of a study group comprising Hyzon Motors Australia, a manufacturer of heavy duty fuel cell electric vehicles - in particular buses and trucks - and Macquarie Group, a leader in managing, developing and financing infrastructure and renewable energy projects globally, to lead and co-fund the study. Global consultants, Aurecon, have been appointed to deliver the study which is expected to be completed by the end of 2020.

The study aims to identify and aggregate customers for hydrogen-based low-emission transport applications and match them with hydrogen infrastructure and supply solutions, including potential supply from a future expansion of the proposed Hazer CDP.

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Research & Development Activities

During the quarter, Hazer continued its research program in partnership 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.

In Q4 calendar year 2019, Hazer was awarded matching IMCRC funding of $800,000 over two years to support its ongoing successful research and development (R&D) collaboration with the University of Sydney's School of Chemical and Biomolecular Engineering.

During the quarter, Hazer continued research activities to investigate 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 and potential use as an additive in advanced building materials and cement.

Mineral Resources PTR Pilot Plant & Cooperation Agreement

During the quarter, there were no material updates to activities undertaken pursuant to the Cooperation Agreement with Mineral Resources Limited. Mineral Resources continue to assess options to develop the proposed synthetic-graphite project but has not yet advised Hazer of their proposed decision process to continue to Stage 2 of the strategic partnership.

Cashflow commentary

As at 30 September 2020, the Company had cash reserves of $15.537 million. This cash balance does not include any receipts as a result of the ARENA Funding Agreement or MAM Loan Facility. Updates on these funding arrangements that support the Hazer CDP capex are provided earlier in this report. Subsequent to quarter end, further liquidity to support the Company's activities has been added through the receipt of a $0.951 million R&D Tax Incentive rebate for the financial year ended 30 June 2020 and total option exercise proceeds of $2.440 million.

During the quarter, the Company had net operating cash outflows of $1.687 million. Net operating cashflows included expenditure for research and development activities ($0.773 million), staff costs (including research and development employees) ($0.603 million) and corporate administration ($0.362 million). Research and development expenditure included payments totalling $0.595 million in relation to the CDP including engineering costs and deposits for some of the long lead items and a $0.079 million contribution to the IMCRC research project.

Net financing cash outflows during the quarter of $0.016 million were residual share issue costs from the placement completed in June 2020.

This expenditure was partly offset by the receipt of a $0.055 million in COVID related support from the Commonwealth and Western Australian governments.

As required by ASX Listing Rule 4.7C3, the Company notes that $0.153 million was paid to related parties during the quarter (as noted in section 6 of the attached Appendix 4C) and these payments were salaries, fees and superannuation paid to Directors.

Authorised for release by the Board of the Company.

[ENDS]

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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 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, Facebook and YouTube.

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Appendix 4C

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

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Name of entity	
HAZER GROUP LIMITED	
ABN	**Quarter ended ("current quarter")**
40 144 044 600	30 SEPTEMBER 2020

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	(773)	(773)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs including research and development staff	(603)	(603)
	(f) administration and corporate costs	(362)	(362)
1.3	Dividends received (see note 3)		
1.4	Interest received	2	2
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 - Covid-19 Cash Boost payment	55	55
1.8	Other (provide details if material) - Net GST received / (paid)	(5)	(5)
1.9	**Net cash from / (used in) operating activities**	**(1,686)**	**(1,686)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
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**	**0**	**0**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares		
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	(17)	(17)
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**	**(17)**	**(17)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	17,240	17,240
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,686)	(1,686)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
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)	(17)	(17)
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	**Cash and cash equivalents at end of period**	**15,537**	**15,537**

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	15,448	17,151
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	89	89
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	15,537	17,240

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	153
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

- Salary, Directors fees and supperannution paid to Directors ($153k)

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	6,000	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	**Total financing facilities**	6,000	0

7.5	**Unused financing facilities available at quarter end**	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.

$6 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). The loan, which will be called down in 3 tranches of $2 million each and has a term of up to 5 years. The first tranche is expected to be drawn in Q4 calendar year 2020.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,686)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	15,537
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	15,537
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	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

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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: 30 October 2020.....

Authorised by: Board of the Company.....
(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.

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