

APPENDIX 4C – 31 DECEMBER 2023 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Highlights:

- *The Commercial Demonstration Plant (“CDP”) reactor successfully commissioned paving way for first hydrogen early Q1 CY2024.*
- *Pre-start reviews well advanced ahead of the commencement of the CDP start-up sequence and production operations.*
- *Hazer and Mitsui advance collaboration for graphite marketing following positive market feedback.*
- *FY2023 Research and Development (“R&D”) tax incentive refund of \$3.13 million received.*
- *Project Development Agreement and commercial framework progressed between Hazer & FortisBC to maintain British Columbia (BC) Canada project momentum.*

PERTH, AUSTRALIA; 22 January 2024: 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 31 December 2023 (“the Quarter”).

Discussing quarterly results, Hazer Managing Director Glenn Corrie said: *“Our focus this Quarter has been on construction completion and commissioning of our Commercial Demonstration Plant. I am delighted that construction of the Company’s Commercial Demonstration Plant (“CDP”) is complete and commissioning of the reactor to full operating temperature and pressure has been successful. The Company confirms that the CDP will be ready to commence production of hydrogen and graphitic carbon in Q1 CY2024, an exciting milestone for Hazer. 2024 is a pivotal year for Hazer and I’m confident that having our CDP operating will open-up multiple opportunities for Hazer commercially and corporately.”*

He continued: *“CDP operations are an important step in demonstrating Hazer technology as the world’s first demonstration of thermo-catalytic methane pyrolysis, a low cost, low emissions hydrogen gamechanger for industry and climate technologies, which allows us to 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”)

During the Quarter, construction of CDP was completed with the installation of the reactor and heat-exchange equipment. The furnace and reactor have been commissioned to full operating temperature and pressure marking a significant milestone for the CDP. Successful commissioning of this equipment significantly de-risks plant start-up by providing confidence in the equipment selection for demonstration at commercial scale.

Following the end of the reporting period, the furnace and reactor have since been cooled to enable loading of the initial graphite bed charge. In addition, the catalyst injection system has been loaded with iron ore and is ready for operation. Minor works including refitting of insulation, logic updates, final instrument checks and pre-start safety reviews are now being completed to prepare the plant for safe introduction of feed gas.

The team will then commence the start-up sequence with subsequent production of hydrogen and graphite targeted early Q1 CY2024 followed by the performance testing program and continuous operation during Q1/Q2

CY2024. Details of the CDP performance testing program are to be provided after start-up with data from the program to be leveraged into Hazer's global commercial project portfolio.



*(Left) Control panel operating monitoring heat up from the CDP control room
(Right) Reactor, furnace, heat exchangers and high temperature piping installed at the CDP*

As part of the performance testing program, alternative designs for the hot equipment, including the reactor and heat exchanger, are being developed concurrently. This equipment will be installed and tested following completion of the initial phase of the performance testing program that utilises the currently installed first generation hot reactor and heat exchanger. The alternative designs will also provide risk mitigation in the form of redundancy to ensure the outcomes of the performance testing program are achieved. The material for the alternative heat exchanger design was delivered in December 2023 and fabrication of the exchanger has commenced. Alongside this, Hatch has reached the final stages of detailed design for the next generation reactor technology and procurement activities are already underway.

Technology Development and Commercialisation

Onboarding of technical specialist roles in the previous quarter has allowed review and update of the Research and Technology Development strategic plan. The plan remains based around the key workstreams of process, catalyst, and graphite development with increased focus on scale-up and commercialisation targets. Progress during the Quarter was in line with expectations, with key highlights mentioned below:

- **Process Development**
 - Operation and analysis of CDP data remains key to the process development workstream for scale up and commercialisation outcomes.
 - The CDP test plan was refreshed with a focus on demonstrating continuous operation to enable validation of commercial scale performance parameters.
 - Operational targets will enable production of significant volumes of Hazer graphite to facilitate the next stages of graphite marketing and development.
 - Simulation studies for the Hazer-BC project in Canada were also completed during the Quarter allowing finalisation of process technology input into the next scale reactor design.
- **Graphite & Catalyst Development**
 - To support scale up efforts, catalyst supply studies have commenced with consultants engaged to enable optimized catalyst supply cost for next scale plants.
 - Onboarding and training for the ARC (Australian Research Council) Hub research program was completed with early results further validating technology operating envelope.

Commercial Business Development

During the Quarter, Hazer and Mitsui advanced the collaboration relating to the joint investigation of the potential markets for Hazer graphite (refer announcement 30 October 2023).

Under the original Memorandum of Understanding (refer announcement 16 November 2022), Hazer and Mitsui agreed to conduct an initial marketing survey of applications for Hazer’s low emissions graphite in the steel making and chemicals industries, utilising Mitsui’s global network. Following detailed evaluation and testing, the parties have received positive market feedback and successfully identified several potential customers showing initial interest in Hazer graphite.

As a result, the parties have agreed to progress to the next phase of joint investigation, which involves further product evaluation and testing of larger samples to be provided from Hazer’s CDP in Q1 2024.

In close collaboration with ENGIE, Hazer has been preparing a proposal for a significant low emissions hydrogen project for heavy industry in Europe.

In addition, Hazer has been initiating and developing discussions with several Tier 1 companies across North America, Asia and Europe. This includes steel making companies that have an interest in both Hazer graphite and hydrogen.

A delegation of the Japan Society of Energy and Resources visited Hazer’s CDP during the Quarter. The delegation consisted of representatives from several major Japanese gas utilities and universities.

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Figure 1 Delegation of Japan Society of Energy and Resources visited Hazer CDP

The Hazer-BC Project based in Vancouver, British Columbia, Canada, will 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.

During the quarter FortisBC and Hazer progressed the Project Development Agreement and conducted commercial discussions following which the parties agreed in principle, subject to formal legal documentation, that FortisBC will be the project lead developer and sole operator of the facility, and Hazer adopting the role of technology license provider. This is a significantly positive improvement from the previous joint operatorship arrangement as it aligns with Hazer’s ‘capex lite’ business model drastically reducing capital expenditure exposure for Hazer at the project level.

In parallel, FortisBC and Hazer have been progressing key project areas such as continuation of the FEED study by Wood Plc, new site selection, and CleanBC funding updates. After careful evaluation a new preferred project site has been identified and arrangements with the owner of the industrial site are under detailed discussion with FortisBC. As updated at the AGM, the FEED study report has moved into the final estimating phase and is targeted to be issued during February.

Corporate Commentary

As announced on 25 October 2023, the Company's FY2023 Research and Development ("R&D") tax incentive refund of \$3.1 million was approved and has since been received. These funds allowed the Company to settle a loan of \$1.9 million with Radium Capital, clearing all outstanding debt.

On 23 November 2023, Hazer held its Annual General Meeting where previously announced Chairman's Address and CEO Presentation were presented. All resolutions detailed in the Company's Notice of Annual General Meeting dated 24 October 2023 were passed by poll (refer announcement 23 November 2023).

As of 31 December 2023, the Company had available funds of \$10.7 million. During the Quarter, Hazer had net operating cash outflows of \$0.8 million. Lower cash outflows in the current Quarter reflected a reduction in spend on CDP site personnel performing commissioning and pre-start testing and receipt of the \$3.1 million of FY23 R&D tax incentive refund after payment of FY21 R&D clawback related to ARENA grant of \$0.6 million (net receipt to Company of \$2.5 million).

Cash used for investing activities for the Quarter of \$1.7 million, due to final CDP construction charges and costs associated with Hazer next generation Mark 2 reactor to support CDP's 2024 work program. These CDP costs are expected to be eligible for R&D tax incentive rebates in FY24.

Cash outflows from financing activities were \$1.9 million, due to settlement of the Radium Capital debt facility post FY23 R&D tax incentive refund receipt.

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 Directors and CEO during the Quarter.

Corporate Access

Glenn will be meeting with investors during February 2024 in Sydney, Melbourne, Brisbane, UK and USA. To organise a meeting, please contact Hannah Howlett below to arrange a suitable time.

Authorised for release by the Board of the Company.

[ENDS]

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

For further information or investor enquiries, please contact:

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ABOUT HAZER GROUP LTD

Hazer Group is an Australian technology company, driving global decarbonisation efforts with the commercialisation of the company's disruptive world-leading climate-tech. Hazer's advanced technology enables the production of clean and economically competitive hydrogen and high-quality graphite, using a natural gas (or biogas) feedstock and iron-ore as the process catalyst.

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 X (Twitter) (@hazergroupltd), LinkedIn, Facebook, 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.

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.



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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")

31 DECEMBER 2023

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (6 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	(996)	(2,955)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs, including research and development staff	(1,698)	(3,552)
	(f) administration and corporate costs	(875)	(1,872)
1.3	Dividends received (see note 3)		
1.4	Interest received	131	222
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	2,536	2,536
1.8	Other (provide details if material)		
	- Net GST received / (paid)	93	(53)
	- Security deposits received / (paid)	0	0
1.9	Net cash from / (used in) operating activities	(809)	(5,674)

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 (6 months) \$ A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment ³	(1,667)	(6,496)
	(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	(1,667)	(6,496)

³ Expenditure in 2.1(c) relates primarily to the CDP (Project) construction. CDP expenditure is 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)	0	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	(55)	(1,051)
3.5	Proceeds from borrowings	0	1,759
3.6	Repayment of borrowings	(1,851)	(1,851)
3.7	Transaction costs related to loans and borrowings	1	0
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(1,905)	13,568

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

Consolidated statement of cash flows		Current quarter \$ A'000	Year to date (6 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	15,061	9,282
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(809)	(5,674)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,667)	(6,496)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,905)	13,568
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	10,680	10,680

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	7,896	12,277
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)	10,680	15,061

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	176
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	0	0
7.2	Credit standby arrangements	0	0
7.3	Other – convertible notes issued	0	0
7.4	Total financing facilities	0	0

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 was 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 had an annual interest rate of 16% and maturity date of 31 December 2023,

Loan balance of \$1.85 million was discharged on 30th November 2023.

No further 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)	(809)
8.2	Cash and cash equivalents at quarter-end (Item 4.6)	10,680
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)	10,680
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)⁶	13.20

⁶ Note: entity reported low negative net operating cash flows in item 1.9 due to receipt in the current quarter of Company's FY23 R&D tax refund. Estimated quarters of funding available excluding this item would be 3.19.

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: 22 January 2024

Authorised by: Board of Directors
(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.