Hazer Group Limited
Appendix 4E
Final report

1. Company details

Name of entity:	Hazer Group Limited
ABN:	40 144 044 600
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

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2. Results for announcement to the market

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Revenues from ordinary activities	up	85%	to	2,664,459
Loss from ordinary activities after tax attributable to the owners of Hazer Group Limited	up	261%	to	11,656,094
Loss for the year attributable to the owners of Hazer Group Limited	up	261%	to	11,656,094

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2021	0.0	0.0
Interim dividend for the year ended 30 June 2021	0.0	0.0

No dividend has been declared.

Comments
Revenues from ordinary activities increased by 85% to $2,664,459 largely due to the receipt of $311,749 in grants and Research & Development rebate (R&D Rebate) of $2,278,381 recognised for the financial year ended 30 June 2021.

Loss from ordinary activities after tax increased to $11,654,094 in 2021. This increase (2020: $3,225,289) was primarily due to non-cash items comprising the impairment of expenditure associated with the Hazer Commercial Demonstration Project (CDP) of $5,051,361 and non-cash expense for options issued to AP Ventures of $2,520,000 (2020: Nil).

The Company has spent $9,491,361 since commencing the Commercial Demonstration Project (CDP) to the end of 30 June 2021 (2021: $8,439,490 and 2020: $1,051,871) and received $3,990,000 (2020: Nil) for completing Milestone 1 and Milestone 2 under a grant agreement secured with the Australian Renewable Energy Agency (ARENA). The net costs incurred to the end of 30 June 2021 of $5,501,361 (being total costs of $9,491,361 less funds received from ARENA of $3,990,000) have been expensed to the profit and loss in line with the Australian accounting standard *AASB 136 Impairment of Assets.* Most of this impaired amount of $5,051,361 is expected to be eligible in future years for a research and development tax incentive rebate.

Share based payments increased by $2,528,325 compared to 2020, predominantly attributable to the issue of unlisted options to AP Ventures Fund II GP LLP (AP Ventures) valued at $2,520,000. The options issued to AP Ventures formed part of a funding arrangement that secured $4,000,000 worth of convertible notes under the arrangement.

The Company's total operating expenditure, including administration, consulting, research and development, and employee expenses and finance costs, increased by 41% to $5,571,370 (2020: $3,994,781). Increases in operating expenses predominantly related to increased finance costs of $203,522 (2020: $8,914) attributable to costs associated with a Loan Facility with Mitchell Asset Management; increased consulting and research expenditure $1,319,954 (2020: $876,789); administration expenses $1,160,543 (2020: $833,580) mainly due to intellectual property patent applications in various international jurisdictions; and employee benefits expenditure $2,887,351 (2020: $2,225,498) due to additional staff employed to conduct engineering activities related to the Commercial Demonstration Plant, along with the accompanying corporate functions.

The net operating cash inflow for the year of $5,111,843 was an increase from cash outflows in the prior period (2020: $(2,493,508)). Principle cash inflows were a research and development tax incentive rebate of $951,463 (2020: $1,339,951) and ARENA grant funding of $9,410,000 (2020: Nil) received in relation to the Commercial Demonstration Plant Project. 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 that strongly supports Australian innovation. ARENA grant funding received is initially held in a restricted cash account until conditions associated with agreed funding milestones are achieved and approved by ARENA.

Investing cash outflows of $6,595,264 (2020: $971,900) during the year related to capital costs associated with the Hazer Commercial Demonstration Plant.

Financing cash inflows decreased by 40% to $8,887,254 (2020: $14,698,597). Funds were generated during the year from exercise of 8,875,000 unlisted Series B options ($0.40 exercise price) and 200,000 unlisted Series K options ($1.20 exercise price), which raised a total of $3,790,000 (2020: $1,410,000) before share issue costs. In addition, 4,000,000 convertible notes and 2,250,000 unlisted options were issued to AP Ventures Fund II GP LLP for $4,000,000 consideration (2020: Nil). Net proceeds from borrowings during the period from Senior Secured Loan Facility held with Mitchell Asset Management amounted to $1,211,813 (2020: Nil).

The Company's cash and cash-equivalent were $24,640,090 at 30 June 2021 (2020: $17,236,257) and net assets at 30 June 2021 were $13,316,270 (2020: $18,013,551).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	9.14	13.22

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

The Annual Report of Hazer Group Limited for the year ended 30 June 2021 is attached.

9. Signed

Signed Tim Goldsmith　　　　Date: 27 August 2021

Tim Goldsmith
Director

Hazer Group Limited

ABN 40 144 044 600

Annual Report – 30 June 2021

CORPORATE DIRECTORY

Directors	Tim Goldsmith (Non-Executive Chairman) Danielle Lee (Non-Executive Director) Andrew Harris (Non-Executive Director) Andrew Hinkly (Non-Executive Director) Geoff Ward (Executive Director)
Company secretary	Romolo Santoro
Registered office	Level 9, 99 St Georges Terrace Perth WA 6000
Principal place of business	Level 9, 99 St Georges Terrace Perth WA 6000
Share register	Link Market Services Limited QV1 Building, Level 12, 250 St Georges Terrace Perth WA 6000
Auditor	RSM Australia Partners Level 32, Exchange Tower, 2 The Esplanade Perth WA 6000
Solicitors	Lavan Legal Level 20/1 William St Perth WA 6000
Bankers	Commonwealth Bank of Australia 150 St Georges Terrace Perth WA 6000
Stock exchange listing	Hazer Group Limited shares are listed on the Australian Securities Exchange (ASX code: HZR)
Website	www.hazergroup.com.au
Corporate Governance Statement	https://hazergroup.com.au/investors/#corporategovernance

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board, I am pleased to present the 2021 Annual Report to shareholders.

During the past year, the Company made significant progress towards commercialising the Hazer Process through advancing the engineering, procurement and construction of the Hazer Commercial Demonstration Plant (CDP) Project. The CDP will be the first-of-its-kind, fully integrated, operational production facility based on the Hazer Process and represents the key next step in fully commercialising the Hazer technology.

Pursuing the scale-up of the Hazer technology through a commercial demonstration site is a key platform of our strategy. It allows us to demonstrate the scale-up of our technology within an industrial setting, providing a reference site to future customers. It also provides us with a graphite supply, allowing us to pursue initial markets for graphite products.

We are confident that the CDP provides Hazer a strong platform in the emerging market for low emission hydrogen. We are pleased that the international interest in the Hazer Process has significantly increased as we have progressed the CDP, and the strong technical development under-pinning the CDP has provided us a credible technical base to engage with these potential collaboration partners and customers. We expect significant progress in FY2022 as we commission the CDP and advance opportunities for the next generation of projects.

Funding for the CDP construction and procurement is provided through a combination of Hazer equity capital, grant funds from the Australian Renewable Energy Agency (ARENA) for Milestones 1 & 2 for $3.99 million, and a senior secured loan facility. All of these capital sources were utilised during the year, reflecting the Company's diversified and strengthened balance sheet. During the year, the Company also welcomed a strategic investment from AP Ventures Fund II GP LLP (APV) through the issue of 4 million convertible notes and 2.25 million options for a total consideration of $4 million.

We are delighted by the strong support that has been shown for Hazer during the year from both existing and new shareholders. This has enabled the significant progress over the last 12 months in the commercialisation of Hazer's technology.

Hazer is very grateful to the Water Corporation for their ongoing engagement and support for the Project. This year we have passed a significant milestone with the commencement of site works at the Woodman Point Water Recovery Facility. With this milestone, our collaboration with Water Corporation has moved to a new stage, and we look forward to this continuing through 2022 as we enter the operation phase of the project. Hazer also thanks ARENA for their ongoing support in funding this exciting Australian developed technology. We look forward to continuing to work with both Water Corporation and ARENA to deliver this exciting project.

Finally, I would like to welcome Andrew Hinkly (Managing Director, APV) to the Board of Hazer. Andrew brings significant experience through his extensive commercial career in corporate roles and through his stewardship of numerous investments in the hydrogen sector and the international hydrogen value chain. We look forward to building on the collaborative relationship established with Andrew and APV through the investment process and believe he will provide invaluable assistance to the Hazer Board and Management.

I look forward to your continued support as a shareholder as the Company continues its commercialisation activities.

Yours faithfully

Tim Goldsmith

Mr Tim Goldsmith
Non-Executive Chairman

MANAGING DIRECTOR'S REPORT

ABOUT HAZER GROUP

Hazer Group Limited ("Hazer" or the "Company") is a clean technology development company focussed on the commercialisation of the Hazer Process – a novel, low carbon emission hydrogen and graphite production technology. The technology originally developed at the University of Western Australia has the potential to deliver two high-value products while reducing carbon emissions through both production and use.

Low-emission hydrogen and graphite are both key products in a de-carbonising economy, and there is a significant global focus on developing a hydrogen economy as part of a transition to a low-carbon environment.

During the year, the Company made significant progress on its core development pathway to commercialise the Hazer Process, primarily achieving this through advancing engineering, procurement and permitting activities, along with commencing site construction activities on the CDP.

COMMERCIAL DEMONSTRATION PLANT PROJECT

Project Overview

The 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. 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 is located at the 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.

The Project has a $20-22 million CAPEX budget and includes 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 large-scale installations in Australia and will demonstrate the technology's ability to be integrated with the Australian grid.

Hazer 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.

During the year, Hazer's CDP project activities progressed with engineering, procurement, permitting, planning, site preparation, and initial civil construction. Orders for key contracts for equipment modules, including reactor, furnace and high-temperature heat exchangers were placed for delivery in the 2H calendar 2021. Significant engineering effort has been dedicated to ensuring the materials selection and fabrication specifications of the reactor and associated high-temperature equipment is appropriate and meet required safety criteria. The engineering required to complete this has been substantial, exceeding the time initially anticipated as we progress this complex first-of-its-kind design. Fabrication of equipment modules progressed at various supplier sites, and equipment packages started being delivered to Australia and stored ahead of installation in 2H calendar 2021. In preparation for the operations phase of the project, an extensive catalyst testing and sampling program was undertaken, and a supply of iron-ore catalyst secured from our former collaboration partner, Mineral Resources Limited. We would like to thank Mineral Resources for their assistance in completing this work. We have now taken delivery of the catalyst and commenced processing the catalyst to be ready for use.

The Company is targeting practical completion for the end of Q4 calendar year 2021, with operations to continue through the calendar years 2022 and 2023.

Project Financing

Funding for the CDP was secured through a combination of equity capital raisings during the prior year totalling $15.8 million (before share issue cost), exercise of options in FY21 of $3.79 million (before issue costs), grant funding of up to $9.41 million from the Australian Renewable Energy Agency (ARENA) and a $6.0 million senior secured loan facility from Mitchell Asset Management (MAM). In FY21, an additional investment of $4 million was raised via the issue of 4,000,000 convertible notes and 2,250,000 options to AP Ventures Fund II GP LLP.

MANAGING DIRECTOR'S REPORT

ARENA Funding Agreement

In March 2020, Hazer 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. During the year, Hazer achieved milestones 1 & 2 of the ARENA grant, totalling $3.99 million.

Senior Secured Loan Facility

In July 2020, Hazer 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, and the loan can also be used to improve the short term liquidity of the Company.

The loan can 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 future R&D Tax Incentive rebates received by Hazer and has a registered security interest over the present and future assets of Hazer, under a general security deed granted by Hazer in favour of MAM. The Australian Federal Government's R&D Tax Incentive Program provides a cash refund on eligible research and development activities performed by Australian companies. The drawdown of the first tranche was made in Q4 calendar year 2020, and the second drawdown was made in Q3 calendar year 2021.

Together, Hazer's cash resources ($24.64 million as at 30 June 2021), the MAM loan and the ARENA grant are forecast to be sufficient to fully fund the construction and commissioning of the CDP.

Issue of Convertible Notes and Options to AP Ventures Fund II GP LLP

On 12 April 2021, Hazer issued 4,000,000 unlisted, unsecured convertible notes with a face value of $1 each and 2,250,000 unlisted options (with a collective exercise price of $1) to AP Ventures Fund II GP LLP. The Convertible Notes can be converted into Hazer ordinary shares between 30 November 2021 and 12 April 2026. If the Notes are converted, the conversion price will be the higher of $0.20 cents per share, or the 5-day volume-weighted average price of Hazer Shares at the time of conversion.

If the Notes are not converted before their Maturity Date on 12 April 2026, the holder may elect Hazer to repay the amount owing for the outstanding convertible notes at nil interest. The Notes are unsecured debt obligations of Hazer and rank equally with other unsecured creditors. Proceeds from the issue of convertible notes and options are expected to be utilised to improve the short-term liquidity of the Company and capital expenditure required for the CDP.

COMMERCIAL OPPORTUNITIES & PARTNERSHIPS

Interest in low-emission technologies continues to be very strong internationally across Europe, Asia and North America, with a significant focus on accelerating national decarbonisation plans and increased ambition to tackle climate change. This remains a priority for global leaders as they move towards the key UN Climate Change Conference (COP26) in November.

We have seen increased engagement with Hazer about the potential to apply the Hazer technology in a range of scenarios, with particular emphasis on the role it could play in the future decarbonisation of heavy industry. This builds on our ongoing work with an increasing number of potential partners across Europe, Asia, North America and Australia to scope collaborative partnerships in markets where there is the appetite for the roll-out of industrial demonstration opportunities and policy environments that incentivise the early up-take of low carbon processes.

We continue to focus on identifying prospective early commercialisation opportunities for the Hazer process in these regions and across applications, including heavy manufacturing, steel production, power generation, and transport. The Company is in various stages of discussion – from enquiry, exchange of confidentiality agreements and various levels of due diligence with over 20 major international companies across Europe, Japan, Asia, North America and Australia. These discussions are continuing, with the aim to progress towards securing the first generation of commercial opportunities that Hazer are seeking to build on the platform established by the CDP.

Engineering Studies with Chiyoda Corporation & Other Parties

To support future business development activities, the Company is progressing an engineering concept study with Chiyoda Corporation, for a commercial scale Hazer Plant of a nominal 2,500 tpa capacity and will provide the platform to advance discussions with interested Japanese parties and potential collaborations with our European, Asian, North American, and Australian partners mentioned.

A second study has commenced focussing on scale-up options to deliver larger scale, lower cost Hazer configurations targeted for heavy industrial applications, such as green steel, petrochemicals, ammonia, or fertiliser production. This study will investigate optimised reactor and furnace design to support larger scale Hazer Projects (nominally 5-10 ktpa or larger). The first phase of this study has focussed on the evaluation of high temperature processes and integration with our proposed reactor design. Subsequent study phases will evaluate the cost, risks and operability of various selected designs, building on what has been learnt in the Hazer CDP.

We continue to target our previously outlined goal of maturing at least one potential project opportunity through to a feasibility study stage through 2H CY2021 in parallel to completing the construction of the CDP.

Hydrogen Transport Applications Feasibility Study

In January 2020, Hazer was a successful applicant for Feasibility Study funding under the Western Australian state government's Renewable Hydrogen Fund. The fund is a key part of the state government's Renewable Hydrogen Strategy, which aims to position WA as a major producer, user and exporter of renewable hydrogen. Hazer's application is for a Feasibility Study on the creation of a renewable hydrogen refuelling hub based on the City of Mandurah and Peel region.

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. The WA state government committed $250,000 to complete the study, with an additional $100,000 (total) committed by Hazer and its study partners.

Milestone 1 – 3 under the Renewable hydrogen transport hub feasibility studies was completed in FY21 with analysis assessments conducted in relation to the demand hypothesis, technology and supply chain assessment and economic assessment & value case of creating a hydrogen hub in the region. The results of the studies were insightful with respect to the commercial conclusions surrounding developing a renewable hydrogen industry within the City of Mandurah and the Peel region. Public knowledge sharing reports and feasibility study reports have been lodged to the WA Government, along with the respective study partners.

Mineral Resources Limited Collaboration Termination

In December 2017, Hazer and Mineral Resources Limited (ASX: MIN) executed a binding Co-Operation Agreement to work together for the purposes of developing and commercialising the Hazer Process. Under the terms of the agreement, Mineral Resources provided the capital required for a staged development project for graphite production, and Hazer provided Mineral Resources with access to the existing Hazer IP portfolio, technical assistance and support.

Commissioning of the Stage 1 Mineral Resources Paddle Tube Reactor (PTR) Pilot Plant was completed during the prior years. Initial production runs successfully produced high-quality graphite with a purity of >95% (Total Graphitic Carbon).

In November 2020, we advised that Mineral Resources Limited and Hazer had terminated the Co-Operation Agreement due to a shift in the strategic focus for Mineral Resources from synthetic graphite production, and a deed of termination was executed with respect to this termination. In Q3 FY21, Hazer successfully vacated the PTR Pilot Plant located on the MRL site and would like to thank Mineral Resources for their support and collaborative assistance over the last 3 years in the development of the Hazer Process.

RESEARCH & DEVELOPMENT PROGRAM

Research & Development remains a core activity for Hazer, with high potential impact programs continuing in 2021 on graphite purification, characterisation, and catalyst & graphite optimisation research. Research is conducted through collaboration with the University of Sydney's School of Chemical and Biochemical Engineering and secured through matched funding awarded by the Innovative Manufacturing CRC (IMCRC) in prior years.

During the year, Hazer commenced its Electrochemical Purification (ECP) Scoping Study for a novel electrochemical purification technique to purify the graphite produced in the Hazer Process without the use of high-temperature or aggressive acid treatment. The study follows initial successful lab tests that indicated the potential to achieve purities in excess of 99% total graphitic carbon using this process.

Hazer is continuing to explore additional applications for our novel graphitic materials. We continue to be encouraged by the market potential for Hazer Graphite in a range of market segments in both purified and unpurified forms. The Hazer CDP will provide the first larger volume of graphite able to support these market development activities by delivering sufficient material to allow larger scale testing or trials with customers to build on the initial smaller scale samples testing undertaken during the pilot program.

OUTLOOK

As Hazer steadily proceeds with progress on the CDP, we look forward to smoothly completing construction of the CDP in Q4 2021 and commencing the commissioning phase. 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.

I'd like to thank the Board for their continued support and look forward to updating shareholders in due course as we move forward on delivering the CDP, continue to explore potential partnerships and collaborations and as we progress our R&D efforts.

Mr Geoff Ward
Managing Director and Chief Executive Officer

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on Hazer Group Limited (referred to hereafter as 'the Company') for the year ended 30 June 2021.

Directors
The following persons were Directors of Hazer Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Tim Goldsmith
Danielle Lee
Andrew Harris
Andrew Hinkly – appointed 21 April 2021
Geoff Ward

Principal activities
During the financial year, the principal continuing activities of the Company consisted of research and development of novel graphite-and-hydrogen-production technology.

The Company has intellectual property rights to a technology (the 'Hazer Process'), which enables the production of hydrogen gas from the thermo-catalytic decomposition of methane (natural gas) with negligible carbon dioxide emissions and the co-production of a high-purity graphite product.

Dividends
There were no dividends paid during the year.

Review of operations
Revenues from ordinary activities increased by 85% to $2,664,459 largely due to the receipt of $311,749 in grants and Research & Development rebate (R&D Rebate) of $2,278,381 recognised for the financial year ended 30 June 2021.

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The Company's cash and cash-equivalent were $24,640,090 at 30 June 2021 (2020: $17,236,257) and net assets at 30 June 2021 were $13,316,270 (2020: $18,013,551).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year
The impact of the Coronavirus (COVID-19) pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the COVID-19 pandemic, we have seen significant disruptions to the Commercial Demonstration Project through restrictions on travel, ability to access suppliers, disruption to supply chains and logistics and competition for resources. As we complete the construction of the Hazer CDP in 1H FY2022 and move into commissioning, we will continue to be subject to the risk of further disruptions, the extent and timing of which it is not possible to estimate at this time, and which will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation
The Company complies with environmental regulations under Australian Commonwealth and State laws.

Information on directors

Name:	Tim Goldsmith
Title:	Non-Executive Chairman (Independent Director)
Qualifications:	Bachelor of Commerce from the Polytechnic of North London (now North London University). Member of the Institute of Chartered Accountants Australia and New Zealand.
Experience and expertise:	Tim was previously a partner at global professional services firm PricewaterhouseCoopers (PwC) for over 20 years. Tim held multiple roles during his PwC career and is best known for leading PwC's global mining team, with more than 2,000 partners and staff in more than 100 mining countries. During his tenure as Global Mining Leader, Tim was also responsible for PwC's thought leadership on the future of the mining industry and was a well-known presenter at mining conferences around the globe. Tim was an early participator in the China growth story and initiated a China focus in 2002 that lead to PwC's Australia China desk, which is known throughout China today. As National China Desk Leader, Tim worked extremely closely with many state-owned and private Chinese investors and companies to facilitate Chinese foreign investment in Australian mining and other assets.
Length of service:	Director since 24 July 2017
Other current directorships:	Chairman of Angel Seafood Holdings Limited (ASX: AS1) and Non-Executive Director of Costa Group Holdings Ltd (ASX: CGC).
Former directorships (last 3 years):	Chairman of Kopore Metals Limited (ASX: KMT)
Special responsibilities:	Member of the Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	1,048,844
Interests in options:	1,500,000 (Unlisted options)
Contractual rights to shares:	None

Name:	Andrew Harris
Title:	Non-Executive Director (Independent Director)
Qualifications:	PhD in engineering from the University of Cambridge and undergraduate degrees in engineering and science from the University of Queensland. A Fellow of the Institution of Chemical Engineers and Engineers Australia and a member of the Australian Institute of Company Directors
Experience and expertise:	Dr Andrew Harris is highly experienced in renewable energy, sustainability, biomimicry, nanotechnology, process engineering and the hydrogen energy economy. He is the lead Director of the Engineering Excellence Group within Laing O'Rourke's internal engineering and innovation team. Laing O'Rourke is one of the world's largest privately owned engineering and construction companies, with annual revenues of $8 billion, 15,000 staff and operations in Europe, North America, the Middle East, Asia and Australia. The Engineering Excellence Group was established to be a global centre of excellence, to transform Laing O'Rourke's capabilities through strategic innovation, research and development, and enhanced technical performance. Dr Harris is also Professor of Chemical and Bimolecular Engineering at the University of Sydney and Co-Director of the Laboratory for Sustainable Technology, the state of art laboratory where Hazer has established its core development activities for the Hazer Process. Dr Harris was the youngest ever professor of Chemical Engineering appointed at the University of Sydney. Dr Harris was also previously the Chief Technology Officer of Zenogen Pty Ltd, a Sydney-based hydrogen production technology company, and was a co-founder of Oak Nano, a University of Sydney start-up commercialising novel carbon nanotube technology. Oak Nano designed and built the largest carbon nanotube production facility in the southern hemisphere.
Length of service:	Director since 21 June 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration and Nomination Committee and Member of the Audit and Risk Committee
Interests in shares:	127,922
Interests in options:	None
Contractual rights to shares:	None

Name:	Danielle Lee
Title:	Non-Executive Director (Independent Director)
Qualifications:	Bachelor of Economics from the University of Western Australia, Bachelor of Laws from the University of Western Australia (first class honours), Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia
Experience and expertise:	Danielle is an experienced corporate lawyer with more than 25 years' experience. She has a broad range of skills and legal experience in the areas of corporate advisory, governance and equity capital markets. She has advised Australian public and private companies in a range of industries on corporate transactions including capital raisings, ASX listings, business and share acquisitions, shareholder agreements and joint venture arrangements.
Length of service:	Director since 16 September 2015
Other current directorships:	Non-Executive Director of Ocean Grown Abalone Ltd (ASX: OGA) Non-Executive Director of Openn Negotiation Ltd (ASX: OPN)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	650,000
Interests in options:	None
Contractual rights to shares:	None

Name:	Andrew Hinkly
Title:	Non-Executive Director (Non-Independent Director)
Qualifications:	Master of Business Administration from the University of Manchester and Bachelor of Science in Civil Engineering from the University of Loughborough.
Experience and expertise:	Andrew is the Founding Managing Partner of AP Ventures. As Managing Partner at AP Ventures, Andrew has been involved in numerous investments in the hydrogen sector across all aspects of the hydrogen value chain. Prior to AP Ventures, Andrew has enjoyed a high profile career spanning more than 25 years working in commercial roles across the automotive and mining industries, including senior leadership positions at Anglo American, where he worked for a decade and was a member of Anglo American Platinum Executive Committee, and the Ford Motor Company where he was a member of the North American Executive Committee. At Ford, he led the Production Procurement operations of Ford Americas and was responsible for $45 billion of annual purchases from over 40,000 suppliers.
Length of service:	Director since 21 April 2021
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	Indirect interest, as Managing Partner of AP Ventures, 2,250,000 options[1]
Contractual rights to shares:	Indirect interest, as Managing Partner of AP Ventures, 4,000,000 convertible notes[2]

[1] On 12th April 2021, AP Ventures Fund II GP LLP were issued 2,250,000 options to acquire 2,250,000 ordinary Hazer share for a collective nominal exercise price of $1 for all options. The options will expire 5 years from the date of their issue and cannot be exercised in the first 12 months following issue of the options.

[2] AP Ventures Fund II GP LLP, hold 4,000,000 unlisted, unsecured Convertible Notes with a face value of $1 each. The Convertible Notes can be converted into Hazer ordinary shares between 30 November 2021 and 12 April 2026. If the Notes are converted, the conversion price will be, the higher of $0.20 cents per share and the 5-day volume weighted average price of Hazer Shares at the time of conversion.

Name:	Geoff Ward
Title:	Managing Director and Chief Executive Officer
Qualifications:	Master of Business Administration and Bachelor of Engineering
Experience and expertise:	Geoff has 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. In addition to his executive experience, Geoff has served as a Director of a leading corporate advisory firm, Azure Capital. Geoff's advisory experience covers mergers and acquisitions, joint ventures, strategic reviews and turnarounds, debt and equity capital raisings. Geoff has advised Boards and led transactions in engineering services, clean technology and resources sectors. Geoff holds a Master of Business Administration from the University of Western Australia, receiving a Director's Letter of Commendation, and a Bachelor of Engineering (Chemical) (Honours) from the University of Melbourne.
Length of service:	Managing Director since 30 April 2019, and Chief Executive Officer since 8 October 2018
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Managing Director
Interests in shares:	479,970
Interests in options:	6,000,000 (Unlisted options)
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for Australian listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for Australian listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Romolo Santoro has held the role of Company Secretary since 1 January 2021.

Romolo is a highly credentialled senior executive with experience in a broad range of roles across finance, commercial development, corporate services management, corporate governance and company administration. He has worked for ASX listed companies in the energy, resources, and construction industry, including Woodside Energy, Alinta Energy and Clough. Before his appointment to the Company, Mr. Santoro was the CFO and Company Secretary of Ocean Grown Abalone Ltd, an ASX listed aquaculture company.

Romolo is a Chartered Accountant and Chartered Secretary with a Bachelor of Business in Accounting and Finance. He holds a Master of Business Administration, a Graduate Diploma in Applied Corporate Governance and is a Graduate of the Australian Institute of Company Directors.

Meetings of Directors
The number of meetings of Directors (including meetings of committees of directors) held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full board		Audit & Risk Committee		Remuneration & Nomination Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Tim Goldsmith	11	11	3	3	1	1
Danielle Lee	11	11	3	3	1	1
Andrew Harris	11	11	3	3	1	1
Andrew Hinkly	2	2	-	-	-	-
Geoff Ward	11	11	-	-	-	-

Held: represents the number of meetings held during the time the Director held office.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Company depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel and is based on the following factors

Alignment to shareholders' interests:
- focuses on sustained growth in shareholder wealth, including growth in the share price, as well as focusing the executive on key non-financial drivers of value
- attracts and retains high-calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive Directors and executive remunerations are separate.

Non-Executive Directors' remuneration
Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Non-Executive Directors do not receive any retirement benefits, other than statutory superannuation.

ASX listing rules require the aggregate Non-Executive Director's remuneration be determined periodically by a general meeting. Aggregate fixed remuneration for all Non-Executive Directors as determined by the Board is not to exceed $300,000 per annum. Directors' fees cover all main board and committee activities.

The level of Non-Executive Director fixed fees as at the reporting date are as follows:

Tim Goldsmith	$60,000 plus statutory superannuation per annum
Danielle Lee	$40,000 plus statutory superannuation per annum
Andrew Harris	$40,000 plus statutory superannuation per annum
Andrew Hinkly	Reimbursement of reasonable fees and expenses in attending one annual face-to-face meeting of the Board in Australia.

Non-Executive Directors may also receive performance-related compensation via options following receipt of shareholder approval. The issue of share-based payments as part of Non-Executive Director remuneration ensures that Director remuneration is competitive with market standards and provides an incentive to pursue longer-term success for the Company. It also reduces the demand on the cash resources of the Company and assists in ensuring the continuity of service of Directors who have extensive knowledge of the Company, its business activities and assets and the industry in which it operates. Details of share-based compensation is contained in this report.

Executive remuneration
The Company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually based on individual and business unit performance, the overall performance of the Company and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the Company and provides additional value to the executive.

Performance-based short-term incentives ('STI') may be provided to executives to align the targets of the business with the targets of those executives responsible for meeting those targets.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares and options may be awarded to executives based on long-term incentive measures, including increasing shareholder value. Share-based LTIs issued to the Managing Director are subject to shareholder approval.

Use of remuneration consultants
During the financial year ended 30 June 2021, the Company did not engage the services of an independent remuneration consultant to review its remuneration for Directors, key management personnel and other senior executives.

Voting and comments made at the company's Annual General Meeting ('AGM')
The Company received 98.52% "for" votes on its Remuneration Report for the year ended 30 June 2020.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Company are set out in the following tables.

The key management personnel of the company consisted of the following directors of Hazer Group Limited:

- Tim Goldsmith – Non-Executive Chairman
- Danielle Lee - Non- Executive Director
- Andrew Harris – Non- Executive Director
- Andrew Hinkly – Non-Executive Director – appointed 21 April 2021
- Geoff Ward – Executive Director

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	**Cash salary fees $**	**Termination benefits $**	**Bonus payments $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Tim Goldsmith	60,000	-	-	5,700	-	-	65,700
Danielle Lee	40,000	-	-	3,800	-	-	43,800
Andrew Harris	40,000	-	-	3,800	-	-	43,800
Andrew Hinkly	-	-	-	-	-	-	-
Executive Directors:							
Geoff Ward	307,500	-	100,000	38,713	-	88,585[1]	534,798
	447,500	-	100,000	52,013	-	88,585	688,098

1 Relates to options issued in a prior period vesting over multiple periods.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	**Cash salary fees $**	**Termination benefits $**	**Bonus payments $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Tim Goldsmith	60,000	-	-	5,700	-	-	65,700
Danielle Lee	40,000	-	-	3,800	-	-	43,800
Andrew Harris	40,000	-	-	3,800	-	-	43,800
Mike Grey	-	-	-	-	-	-	-
Executive Directors:							
Geoff Ward	300,000	-	59,361	34,139	-	256,839[1]	650,339
	440,000	-	59,361	47,439	-	256,839	803,639

1 Relates to options issued in a prior period vesting over multiple periods.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2021	Fixed remuneration 2020	At risk - STI 2021	At risk - STI 2020	At risk - LTI 2021	At risk - LTI 2020
Non-Executive Directors:						
Tim Goldsmith	100%	100%	-	-	-	-
Danielle Lee	100%	100%	-	-	-	-
Andrew Harris	100%	100%	-	-	-	-
Andrew Hinkly	-	-	-	-	-	-
Mike Grey	-	-	-	-	-	-
Executive Directors:						
Geoff Ward	65%	51%	19%	10%	17%	39%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Geoff Ward
Title:	Executive Director and Chief Executive Officer
Agreement commenced:	1 January 2021
Term of agreement:	Open
Details:	Base salary of $315,000 plus statutory superannuation from 1 January 2021, to be reviewed annually by the Nomination and Remuneration Committee. For the period ending 30 June 2021– a cash bonus of up to $100,000 if KPIs set by the Board are met. Achievement of set KPIs is at the discretion of the Nomination and Remuneration Committee. Three-month termination notice by either party. Twelve-month non-solicitation clause after termination.

Share-based compensation

Options
There were no options over ordinary shares issued during this financial year to Directors and other key management personnel.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of options granted during the year 2021	Number of options granted during the year 2020	Number of options vested during the year 2021	Number of options vested during the year 2020
Tim Goldsmith	-	-	-	-
Danielle Lee	-	-	-	-
Andrew Harris	-	-	-	-
Andrew Hinkly	-	-	-	-
Geoff Ward	-	-	2,000,000	2,000,000
Total	-	-	2,000,000	2,000,000

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Tim Goldsmith	-	-	1,187,500	-
Danielle Lee	-	60,000	-	-
Andrew Harris	-	-	-	-
Andrew Hinkly	-	-	-	-
Geoff Ward	-	-	-	17%
	-	60,000	1,187,500	

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Tim Goldsmith	-	-	1,187,500	-
Danielle Lee	-	60,000	-	-
Andrew Harris	-	-	-	-
Mike Grey	-	-	-	-
Geoff Ward	-	-	-	39%
	-	-	-	

Additional information

The earnings of the company for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Revenues from ordinary activities	2,664,459	1,436,617	1,669,368	798,877	337,785
Loss after income tax	11,656,094	3,225,289	4,396,377	11,009,331	3,877,507
Net Assets	13,316,270	18,013,551	5,834,306	6,884,346	8,880,690

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end ($)	0.86	0.37	0.26	0.25	0.49
Total dividends declared (cents per share)	0.00	0.00	0.00	0.00	0.00
Basic loss per share (cents per share)	8.22	2.99	4.71	13.37	5.74

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each Director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
Ordinary shares					
Tim Goldsmith	1,048,844	-	-	-	1,048,844
Danielle Lee	627,922	-	150,000[1]	(127,922)	650,000
Andrew Harris	127,922	-	-	-	127,922
Andrew Hinkly	-	-	-	-	-
Geoff Ward	677,922	-	-	(197,952)	479,970
	2,482,610	-	150,000	(325,874)	2,306,736

1 Exercise of 150,000 Series B options.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Additions	Expired Forfeited/ exercised	Balance at the end of the year
Options over ordinary shares					
Tim Goldsmith	2,750,000	-	-	(1,250,000)[1]	1,500,000
Danielle Lee	150,000	-	-	(150,000)[2]	-
Andrew Harris	-	-	-	-	-
Andrew Hinkly	-	-	-	-	-
Geoff Ward	6,000,000	-	-	-	6,000,000
	8,900,000	-	-	(1,400,000)	7,500,000

1 Series J Options expired during the year.
2 Series B Options exercised during the year.

Other transactions with key management personnel and their related parties

There were no other transactions with related parties during the year.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Hazer Group Limited under option at the date of this report are as follows:

Option series	Grant date	Expiry date	Exercise price	Number under option
Series K	06/04/2017	31/12/2021	$1.20	1,000,000
Series K	04/12/2017	31/12/2021	$1.20	2,300,000
Series M	29/08/2018	30/06/2023	$0.70	500,000
Series L	14/11/2018	30/06/2022	$0.50	2,000,000
Series M	14/11/2018	30/06/2023	$0.70	2,000,000
Series N	14/11/2018	30/06/2024	$0.90	2,000,000
Series M	18/10/2019	30/06/2023	$0.70	1,550,000
Series N	18/10/2019	30/06/2024	$0.90	1,450,000
Series N	01/12/2020	30/06/2024	$0.90	2,000,000
Series O	12/04/2021	12/04/2026	$1.00[1]	2,250,000
				17,050,000

[1]Exercise price of Series O shares is $1 collectively for all units of options.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Hazer Group Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Option series	Grant date	Expiry date	Exercise price	Number of shares issued
Series B	29/12/2017	31/12/2020	$0.40	8,875,000
Series K	04/12/2017	31/12/2021	$1.20	200,000

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
There were no amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of RSM Australia Partners
There are no officers of the Company who are former partners of RSM Australia Partners.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Tim Goldsmith
Chairman

27 August 2021
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hazer Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 27 August 2021

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General information

The financial statements cover Hazer Group Limited as a single entity. The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

Hazer Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 9, 99 St Georges Terrace Perth WA 6000	Level 9, 99 St Georges Terrace Perth WA 6000

A description of the nature of the Company's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2021. The Directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 $	2020 $
Revenue			
Interest income		6,829	46,666
R&D tax rebate	28	2,278,381	1,339,951
Grant income		311,749	-
Other income		67,500	50,000
Expenses			
Administration expenses		(1,160,543)	(833,580)
Consulting and research expenses		(1,319,954)	(876,789)
Share-based payments	26	(3,200,397)	(672,072)
Finance costs		(203,522)	(8,914)
Employee benefits expense		(2,887,351)	(2,225,498)
Depreciation expense		(47,425)	(45,053)
Impairment expense on commercial demonstration plant	8	(5,501,361)	-
Loss before income tax expense		(11,656,094)	(3,225,289)
Income tax expense	16	-	-
Loss after income tax expense for the year		(11,656,094)	(3,225,289)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(11,656,094)	(3,225,289)

	Note	Cents	Cents
Basic loss per share	27	8.22	2.99
Diluted loss per share	27	8.22	2.99

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	5	24,640,090	17,236,257
Trade and other receivables	6	1,532,017	93,428
Other current assets	7	246,330	51,862
Total current assets		26,418,437	17,381,547
Non-current assets			
Commercial demonstration plant	8	-	1,051,871
Plant and equipment	9	13,447	27,765
Right-of-use asset	10	29,119	41,136
Total non-current assets		42,566	1,120,772
Total assets		26,461,003	18,502,319
Liabilities			
Current liabilities			
Trade and other payables	11	1,810,909	311,874
Provisions	12	164,678	131,264
Lease liabilities	10	18,386	33,345
Contract liabilities	13	3,920,000	-
Borrowings	14	1,211,813	-
Convertible note liability	15	1,496,911	-
Convertible note derivative	15	2,503,089	-
Total current liabilities		11,125,786	476,483
Non-current liabilities			
Lease liabilities	10	8,947	12,285
Contract liabilities	13	1,500,000	-
Provisions	12	510,000	-
Total non-current liabilities		2,018,947	12,285
Total liabilities		13,144,733	488,768
Net assets		13,316,270	18,013,551
Equity			
Issued capital	17	40,774,126	34,128,809
Reserves	18	6,643,064	7,185,964
Accumulated losses	19	(34,100,920)	(23,301,222)
Total equity		13,316,270	18,013,551

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

2020	Issued capital $	Reserves $	Accumulated Losses $	Total equity $
Balance at 1 July 2019	18,541,771	9,224,488	(21,931,953)	5,834,306
Loss after income tax expense for the year	-	-	(3,225,289)	(3,225,289)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,225,289)	(3,225,289)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	15,587,038	-	-	15,587,038
Shares issued pursuant to the exercise of options	-	(854,576)	-	(854,576)
Share-based payments	-	672,072		672,072
Transfer expired options to accumulated losses	-	(1,856,020)	1,856,020	-
Balance at 30 June 2020	34,128,809	7,185,964	(23,301,222)	18,013,551

2021	Issued capital $	Reserves $	Accumulated Losses $	Total equity $
Balance at 1 July 2020	34,128,809	7,185,964	(23,301,222)	18,013,551
Loss after income tax expense for the year	-	-	(11,656,094)	(11,656,094)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(11,656,094)	(11,656,094)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	-	-	-	-
Shares issued pursuant to the exercise of options	6,645,317	(2,886,901)	-	3,758,416
Share-based payments	-	3,200,397	-	3,200,397
Transfer expired options to accumulated losses	-	(856,396)	856,396	-
Balance at 30 June 2021	40,774,126	6,643,064	(34,100,920)	13,316,270

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(5,472,676)	(3,928,716)
Interest received		6,829	46,666
Interest and other finance costs paid		(168,022)	(1,409)
Research and development tax rebate received		951,463	1,339,951
ARENA grant income received (inclusive of GST)		9,410,000	-
Grant income received (inclusive of GST)		316,749	-
Other government rebates		67,500	50,000
Net cash from / (used in) operating activities	25	5,111,843	(2,493,508)
Cash flows from investing activities			
Payments for commercial demonstration plant		(6,595,264)	(971,900)
Net cash used in investing activities		(6,595,264)	(971,900)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		-	13,322,462
Proceeds from exercise of share options, net of transaction costs		3,750,328	1,410,000
Proceeds from issue of convertible notes		4,000,000	-
Proceeds from borrowings		2,163,276	-
Repayment of borrowings		(951,463)	-
Transaction costs related to borrowings		(35,500)	-
Repayment of lease liability		(39,387)	(33,865)
Net cash from financing activities		8,887,254	14,698,597
Net increase in cash and cash equivalents		7,403,833	11,233,189
Cash and cash equivalents at the beginning of the financial year		17,236,257	6,003,068
Cash and cash equivalents at the end of the financial year	5	24,640,090	17,236,257

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit-oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition
The company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Note 1. Significant accounting policies (Cont'd)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Research and Development tax rebate
Research and Development Tax Rebate (R&D Rebate) judgements are made by Management, utilising the Company's specialist R&D Tax advisers. The process includes interviews, documentation and assessment of the various activities undertaken by the Company to determine if the activities meet the statutory eligibility requirements for an R&D Rebate claim.

The R&D tax rebate is recognised when a reliable estimate of the amount's receivable can be made and accrues the amount as income in the statement of profit or loss and other comprehensive income.

Provision for restoration
Provisions for restoration are made to recognise obligations to restore a site to its original condition and is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future restoration costs for the site are recognised in the statement of financial position by adjusting the asset and the provision. Where there is a reduction in the provision that exceeds the carrying amount of the asset, this is recognised in profit or loss.

Convertible Notes
The Convertible Note valuations methodology is based on the fair value of the conversion option (convertible note derivative), determined using Black-Scholes valuation model, and the residual difference is the value of host liability (convertible note liability).

Note 1. Significant accounting policies (Cont'd)

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 1. Significant accounting policies (Cont'd)

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (Cont'd)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Hazer Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Share-based payments
The Company provides benefits in the form of share-based payments, whereby persons render services in exchange for shares or rights over shares ('equity settled transactions'). The Company does not provide cash settled share-based payments.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using an option-pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the period in which the service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the 'vesting period'). The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 1. Significant accounting policies (Cont'd)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Research and development
Research costs are expensed in the period in which they are incurred.

Capitalised Development Cost for Commercial Demonstration Plant
Costs directly attributable to create, produce and prepare the commercial demonstration plant to be capable of operating in the manner intended by management are recognised as an asset when the following criteria are met:

- It is technically feasible to complete the commercial demonstration plant so that it will be available for use;
- Management intends to complete the commercial demonstration plant and use it;
- There is an ability to use the commercial demonstration plant;
- It can be demonstrated how the commercial demonstration plant will generate probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use the commercial demonstration plant; and
- The expenditure attributable to the commercial demonstration plant during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset will begin when the development is complete, and the asset is available for use. It will be amortised over the period of expected future benefit. Amortisation will be recorded in profit and loss.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2021. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, is set out below.

The directors of the Company do not anticipate that the application of the new or amended Accounting Standards and Interpretations in the future will have an impact on the Company's financial statements.

Note 2: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Company assesses the impairment of non-financial assets, other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset, that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for restoration
The provision for restoration is measured at the undiscounted cost expected to restore the Site back to its original condition given the current technologies available, at the earlier of the termination date (30 June 2024) or when the CDP is decommissioned. The calculation of this provision requires assumptions such as the application of closure dates and cost estimates. The provision recognised for the site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for the site, is recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

R&D tax rebate
The R&D tax rebate is recognised when a reliable estimate of the amount's receivable can be made. For the year end 30 June 2021, the Company has estimated the rebate which will be received in early 2022 and has accrued that amount as income in the statement of profit or loss and other comprehensive income.

Coronavirus (COVID-19) pandemic
The impact of the Coronavirus (COVID-19) pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the COVID-19 pandemic, we have seen significant disruptions to the Commercial Demonstration Project through restrictions on travel, ability to access suppliers, disruption to supply chains and logistics and competition for resources. As we complete the construction of the Hazer CDP in 1H FY2022 and move into commissioning, we will continue to be subject to the risk of further disruptions the extent and timing of which it is not possible to estimate at this time, and which will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Note 3. Operating segments

The Company has considered the requirements of AASB 8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision-makers) in assessing performance and determining the allocation of resources.

The Company operates as a single segment being research and development of novel graphite-and-hydrogen-production technology. There is no difference between the audited financial report and the internal reports generated for review. The company is domiciled in Australia and is currently in the development phase and hence has not begun to generate revenue from operations. All the assets are located in Australia.

Note 4. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and short term deposits, secured borrowings with Mitchell Asset Management and convertible notes on issue to AP Ventures Fund II GP LLP.

The Company manages its exposure to key financial risks, including interest rate and liquidity risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of its financial targets whilst protecting future financial security.

The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for the identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Interest rate risk
At the reporting date, the Company had $24,640,090 (2020: $17,236,257) in cash and cash equivalents exposed to interest rate risk.

At the reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and equity would have been affected as follows:

	Net loss Higher / (lower)		**Equity Higher / (lower)**	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
+0.5% (50 basis points)	123,200	86,181	123,200	86,181
-0.5% (50 basis points)	(123,200)	(86,181)	(123,200)	(86,181)

The movements are due to higher / lower interest revenue from cash balances.

Other financial instruments held by the Company aside from cash and short term deposits are predominantly fixed interest liabilities, and as such, are not exposed to interest rate risk.

Liquidity Risk
Liquidity risk is managed through the company's objective to maintain adequate funding to meet its needs, currently represented by cash and short term deposits sufficient to meet the current cash requirements.

The Company has assessed the liquidity risk that repayment obligations to secured lenders are not able to be met and concluded it to be low. Mandatory repayments to secured lenders are offset against the greater of the annual R&D tax rebate amounts as lodged to the Australian Taxation Office and amounts specified within a repayment schedule.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2021	**Less than 3 months**	**3 to 12 months**	**1-5 years**	**>5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade and other payables	1,810,909	-	-	-	1,810,909
Lease liabilities	7,494	10,892	8,947	-	27,333
Contract liabilities	-	3,920,000	1,500,000	-	5,420,000
Borrowings	-	1,211,813	-	-	1,211,813
Convertible note liability	-	1,496,911	-	-	1,496,911
Convertible note derivative	-	2,503,089	-	-	2,503,089
	1,818,403	9,142,705	1,508,947	-	12,470,055

Year ended 30 June 2020	**Less than 3 months**	**3 to 12 months**	**1-5 years**	**>5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade and other payables	311,874	-	-	-	311,874
Lease liabilities	7,629	25,716	12,285	-	45,630
	319,503	25,716	12,285	-	357,504

Note 4. Financial risk management objectives and policies (Cont'd)

Collateral
The Company has pledged part of its cash on deposit in order to fulfil the collateral requirements for its lease contracts and corporate credit card facilities. At 30 June 2021 and 30 June 2020, the fair values of the short-term deposits pledged were $64,653 for both years. The counterparties have the obligation to return the securities in the form of bank guarantees on termination of the lease agreement, subject to make good requirements on the leased properties being fulfilled, or on termination of the credit card facilities.

Mitchell Asset Management Pty Ltd in its capacity as trustee for the Mitchell Asset Management Go-Innovation Finance Fund ("Fund"), has also been granted security over all present and after-acquired property of the Company in order to obtain secured borrowings from the Fund.

Capital management
The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company monitors capital with reference to the net debt position. The company's current policy is to keep the net debt position negative, such that cash and cash equivalents exceeds debt.

Note 5. Cash and cash equivalents

	2021 $	2020 $
Cash at bank	19,135,183	17,151,350
Cash on deposit	84,907	84,907
Cash at bank - restricted	5,420,000	-
	24,640,090	17,236,257

Cash on deposit
The Company has amounts held in term deposits with varying maturities. Amounts held in term deposits are predominantly for the purpose of fulfilling collateral and security requirements associated with lease arrangements and corporate credit card facilities held.

Cash at bank - restricted
The Company has received grant funding from ARENA, an independent agency of the Australian federal government, to support the design, procurement, construction and operation of the commercial demonstration plant. To access the grant funding, the company must meet the operational and technical requirements of agreed funding milestones in a form acceptable to ARENA. This restricted cash represents the grant funding received where the milestone criteria are yet to be satisfied and the funds are not yet freely available for use by the Company.

At 30 June 2021, Hazer had available $4,336,724 (2020: Nil) of undrawn committed borrowing facilities with Mitchell Asset Management.

Note 6. Trade and other receivables

	2021 $	2020 $
GST refundable	205,100	93,428
R&D tax rebate receivable	1,326,917	-
	1,532,017	93,428

GST refundable
GST refundable relates to amounts receivable from the Australian Taxation Office (ATO) in relation to the GST portion paid or payable to trade creditors, which are claimable as input tax credits. GST refunds are generally received from the ATO in the following month, and no allowance for expected credit losses have been recognised in the period ended 30 June 2021 (2020: Nil).

R&D tax rebate receivable
R&D tax rebate receivable represents refundable tax offsets from the Australian Taxation Office (ATO) in relation to expenditure incurred in the current year for eligible research and development activities. Research and development activities are refundable at a rate of 43.5% for each dollar spent, subject to meeting certain eligibility criteria. Funds are expected to be received subsequent to the lodgement of the income tax return and research and development tax incentive schedule for the current financial year.

Note 7. Other current assets

	2021 $	2020 $
Prepayments	238,327	48,259
Security deposits	8,003	3,603
	246,330	51,862

Note 8. Commercial Demonstration Plant

	2021 $	2020 $
Commercial demonstration plant – cost	9,491,361	1,051,871
Commercial demonstration plant – accumulated amortisation & impairment	(5,501,361)	-
Commercial demonstration plant – ARENA grant offset	(3,990,000)	-
	-	1,051,871

	2021 $
Cost and grant offset	
At 1 July 2019	-
- Additions	1,051,871
At 30 June 2020	**1,051,871**
- Additions	8,439,490
- ARENA grant – release of contract liability	(3,990,000)
At 30 June 2021	**5,501,361**
Amortisation and impairment	
At 1 July 2019	-
- Amortisation	-
- Impairment	-
At 30 June 2020	-
- Amortisation	-
- Impairment	(5,501,361)
At 30 June 2021	**(5,501,361)**
Net book value	
At 30 June 2020	1,051,871
At 30 June 2021	-

Note 8. Commercial Demonstration Plant (Cont'd)

The commercial demonstration plant (CDP) is a key stage in the development and scale up of the Hazer process. Development costs directly attributable to create, produce and prepare the commercial demonstration plant for the purpose intended by management is recognised as an intangible asset when the criteria under *AASB 138 Intangible Assets* are satisfied. The commercial demonstration plant has not been amortised as it is not yet ready for use.

Impairment of the Commercial Demonstration Plant

At 30 June 2021, the Company performed its annual impairment test in relation to intangible assets not yet available for use and identified indicators of impairment in line with *AASB 136 Impairment of Assets*. At the test date, it was determined that due to the experimental nature of the CDP, future cashflows associated with operating the CDP asset over its expected useful life of 3 years are not expected to exceed potential revenue from the sale of hydrogen and graphite products. Key assumptions used in the value in use calculation are based on market rates for the cost of labour and feedstock required to operate the CDP, along with potential sale price for hydrogen & graphite products.

Accordingly, the Company has concluded that the recoverable amount of the asset derived through its value in use did not exceed the carrying amount, and an impairment charge was recognised for the difference.

Note 9. Plant and equipment

	2021 $	**2020 $**
Site equipment	13,447	27,765
	13,447	27,765

	2021 $
Cost and grant offset	
At 1 July 2019	42,719
Additions	-
At 30 June 2020	**42,719**
Additions	-
At 30 June 2021	**42,719**
Amortisation and impairment	
At 1 July 2019	753
Amortisation	14,201
Impairment	-
At 30 June 2020	**14,954**
Amortisation	14,318
Impairment	-
At 30 June 2021	**29,272**
Net book value	
At 30 June 2020	27,765
At 30 June 2021	13,447

Note 10. Leases

The Company has lease contracts for the occupation of various office and storage sites used in its operations. Leases of office space and storage sites generally have lease terms of 2 to 5 years, and also include some extension options of up to 2 years. The Company is restricted from assigning and sublease the leased assets. The Company's obligations under the leases are secured by the lessor's title to the leased assets and the amounts held as collateral with lessors in the form of security deposits or bank guarantees issued.

The Company also has certain leases for office space with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2021	2020
Right-of-use assets	**$**	**$**
At 1 July	41,136	71,988
Additions	21,090	-
Depreciation expense	(33,107)	(30,852)
At 30 June	29,119	41,136

	2021	2020
Lease liabilities	**$**	**$**
At 1 July	45,630	71,988
Additions	21,091	-
Accretion of interest	4,471	7,506
Payments	(43,859)	(33,864)
At 30 June	27,333	45,630
Current	18,386	33,345
Non-current	8,947	12,285

The maturity analysis of lease liabilities is disclosed in Note 4.

The following are the amounts recognised in the profit or loss:	2021 $	2020 $
Depreciation expense of right-of-use assets	33,107	30,852
Interest expense on lease liabilities	4,471	7,506
Expenses relating to short-term leases (included in administration expenses)	13,102	13,102
Total amount recognised in profit or loss	50,680	51,460

The Company had total cash outflows for leases of $43,859 in 2021 (2020: $33,864). The Company also had non-cash additions to right-of-use assets and lease liabilities of $21,090 in 2021 (2020: Nil). The future cash outflows relating to leases that have not yet commenced are disclosed below.

The Company has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

Note 10. Leases (Cont'd)

	Within five years	More than five years	Total
At 30 June 2020			
Extension options expected not to be exercised	136,911	-	136,911
	136,911	-	136,911
At 30 June 2021			
Extension options expected not to be exercised	24,000	-	24,000
	24,000	-	24,000

The Company has one lease contract that has not yet commenced at 30 June 2021. The future lease payments for this non-cancellable lease contract is $35,035 within one year and $130,956 between one to five years (2020: Nil).

Note 11. Trade and other payables

	2021 $	2020 $
Trade payables	1,678,785	135,071
Other payables	132,124	176,803
	1,810,909	311,874

Trade and other payables and non-interest bearing and generally have a term of 30-90 days.

Note 12. Provisions

	2021 $	2020 $
Employee benefits	164,678	131,264
Provision for restoration	510,000	-
	674,678	131,264

Employee benefits
The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees. It is measured as the value of expected future payments for the services provided by the employees up to the reporting date.

Provision for restoration
The Company has entered into a Collaboration Deed with Water Corporation for the use of land and other resources at the Woodman Point Water Resource Recovery (Site) facility to construct and operate the commercial demonstration plant. At the termination date of the Collaboration Deed, it imposes an obligation for the Company to decommission the CDP and restore the Site back to its original condition, unless otherwise agreed with Water Corporation at a later stage.

The provision for restoration is measured at the undiscounted cost expected to restore the Site back to its original condition given the current technologies available, at the earlier of the termination date (30 June 2024) or when the CDP is decommissioned.

	Provision for restoration
At 1 July 2020	-
Arising during the year	510,000
Utilised	-
Unused amounts reversed	-
Unwinding of discount and changes in the discount rate	-
At 30 June 2021	510,000

Note 13. Contract liabilities

	2021 $	2020 $
Current contract liability	3,920,000	-
Non-current contract liability	1,500,000	-
	5,420,000	-

The Company has received grant funding from ARENA, an independent agency of the Australian federal government, to support the design, procurement, construction and operation of the commercial demonstration plant. To access the grant funding, the company must meet the operational and technical requirements of agreed funding milestones in a form acceptable to ARENA. Contract liabilities represent the grant funding received where the milestone criteria are yet to be satisfied, and the funds are not yet available to the Company.

The amount of contract liabilities are allocated by grant milestones relating to the practical completion and commencement of commissioning for the commercial demonstration plant, along with the completion of 12, 24 and 36 months of operations.

As the Company targets to achieve practical completion in Q4 calendar year 2021, amounts attributable to Milestone 3 are classified as current liabilities and are expected to be released in the next 12 months from 30 June 2021. Amounts relating to operational Milestones are 4 – 6 classified as non-current as the Company is required to fulfill a minimum of 12, 24 and 36 months operations prior to being eligible for the application of funds.

Note 14. Borrowings

	2021 $	2020 $
Current borrowings	1,211,813	-
	1,211,813	-

The Company has a $6.5 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). Interest is charged at a rate of 11% to 13% per annum, depending on the various conditions being met. The Facility is secured against all past and future properties, proceeds or benefits of properties owned by Hazer under a general security deed. It has available two further drawdowns of $2 million each after meeting project milestones contained in the loan agreement. The loan has a term of up to 5 years, terminating 30 June 2025, with mandatory repayments expected from future R&D tax rebates, or set repayment amounts in February of each year.

At 30 June 2021, Hazer had available $4,336,724 (2020: Nil) of undrawn committed borrowing facilities with Mitchell Asset Management.

Note 15. Convertible note liability and derivative

	2021 $	2020 $
Convertible note liability	1,496,911	-
Convertible note derivative	2,503,089	-
	4,000,000	-

At 30 June 2021, the Company had 4,000,000 notes on issue to AP Ventures Fund II GP LLP as unlisted, unsecured Convertible Notes with a face value of $1 each. The Convertible Notes can be converted into Hazer ordinary shares between 30 November 2021 and 12 April 2026. If the Notes are converted, the conversion price will be, the higher of $0.20 cents per share and the 5-day volume weighted average price of Hazer Shares at the time of conversion.

If the Notes are not converted before their Maturity Date on 12 April 2026, the holder may elect for Hazer to repay the amount owing for the outstanding convertible notes at nil interest. The Notes are unsecured debt obligations of Hazer and rank equally with other unsecured creditors.

The conversion feature of the Notes have been recognised at fair value as a convertible note derivative.

Note 16. Income Tax

The major components of income tax expense for the years ended 30 June 2021 and 2020 are:

Statement of profit or loss	2021 $	2020 $
Current income tax:		
Current income tax charge/(benefit)	406,164	(522,132)
Benefit of previously unrecognised tax losses of a prior period used to reduce current tax expense	(406,164)	-
Deferred tax:		
Relating to the origination and reversal of temporary differences	(2,402,567)	39,932
Derecognition of current year temporary differences	2,402,567	482,200
Income tax expense/(benefit) reported in the statement of profit or loss	-	-

Reconciliation of tax expense and accounting profit multiplied by the Company's domestic tax rate for 2020 and 2021:

	2021 $	2020 $
Accounting profit/(loss) before income tax	(11,656,094)	(3,225,289)
At the Company's statutory income tax rate of 26% (2020: 27.5%)	(3,030,584)	(886,954)
Non-deductible expenses for tax purposes:		
Expenses eligible for R&D rebate	809,039	601,500
Share based payments	832,103	184,820
Other non-deductible expenses	2,968	670
Non-assessable income:		
R&D rebate received on eligible expenses	(592,379)	(368,486)
COVID-19 rebate	(17,550)	(13,750)
Movement in temporary deductible and taxable differences in statement of taxable income	2,402,567	(39,932)
Recognition of previously unrecognised tax losses of a prior period	(406,164)	-
At the effective income tax rate of 26% (2020: 27.5%)	-	(522,132)
Tax losses not brought/(brought) to account	-	522,132
Income tax expense/(benefit) reported in the statement of profit or loss	-	-

A potential deferred tax asset, attributable to tax losses carried forward, amounts to $5,886,443 (2020: $7,448,614) and has not been brought to account at reporting date because the Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and research and development expenditure to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and research and development expenditure.

Note 17. Equity - issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares	145,334,802	136,259,802	40,774,126	34,128,809

Movement in ordinary shares

	Date	No of shares	Issue price	$
Opening balance 1 July 2019		97,260,856		18,541,771
Issue of shares	8 November 2019	6,493,505	$0.385	2,500,000
Issue of shares	5 December 2010	8,980,441	$0.385	3,457,507
Issue of shares on exercise of Series D options	31 December 2019	900,000	$0.40	360,000
Transfer Series D options from options reserve	31 December 2019	-	-	16,269
Issue of shares	18 June 2020	20,000,000	$0.42	8,400,000
Issue of shares on exercise of Series B options	18 June 2020	2,625,000	$0.40	1,050,000
Transfer Series B options from options reserve	18 June 2020	-	-	838,306
Share issue transaction costs, net of tax	30 June 2020	-	-	(1,035,044)
Closing balance 30 June 2020		136,259,802		34,128,809
Opening balance 1 July 2020		136,259,802		34,128,809
Issue of shares on exercise of Series B Options	13 October - 30 December 2020	8,875,000	$0.40	3,550,000
Transfer of Series B options from options reserve	13 October - 30 December 2020	-	-	2,834,273
Issue of shares on exercise of Series K Options	4 February 2021	200,000	$1.20	240,000
Transfer of Series K options from options reserve	4 February 2021	-	-	52,627
Share issue transaction costs, net of tax	30 June 2021	-	-	(31,583)
Closing balance 30 June 2021		145,334,802		40,774,126

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back scheme in place.

Capital risk management
The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the previous financial reporting year.

Note 18. Equity - reserves

	2021 $	2020 $
Option reserve	6,643,064	7,185,964
	6,643,064	7,185,964

Option reserve
The option reserve records items recognised as expenses on the valuation of share options.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	No of Options	Value $
Opening balance 1 July 2019	41,266,667	9,224,488
Options issued during a prior year vesting over multiple periods	-	256,839
Options issued during the current year vesting over multiple periods	3,000,000	415,233
Options exercised during the period	(3,525,000)	(854,575)
Options expired during the period - series D	(3,950,000)	(71,403)
Options expired during the period - series H	(4,166,667)	-
Options expired during the period - series G	(7,000,000)	(1,784,618)
Closing balance 30 June 2020	25,625,000	7,185,964
Opening balance 1 July 2020	25,625,000	7,185,964
Options issued during a prior year vesting over multiple periods	-	250,186
Options issued during the current year vesting over multiple periods	2,000,000	430,209
Options issued during the current year to AP Ventures	2,250,000	2,520,000
Options exercised during the period	(9,075,000)	(2,886,900)
Options expired during the period - series J	(3,750,000)	(856,396)
Closing balance 30 June 2021	17,050,000	6,643,064

Note 19. Equity – accumulated losses

	2021 $	2020 $
Accumulated losses at the beginning of the financial year	23,301,222	21,931,953
Loss after income tax expense for the year	11,656,094	3,225,289
Transfer expired options to accumulated losses	(856,396)	(1,856,020)
Accumulated losses at the end of the financial year	34,100,920	23,301,222

Note 20. Key management personnel disclosures

Compensation
The aggregate compensation made to key management personnel of the Company is set out below:

	2021 $	2020 $
Short-term employee benefits	547,500	499,361
Post-employment benefits	52,013	47,439
Long-term benefits		-
Share-based payments	88,585	256,839
	688,098	803,639

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, its network firms and unrelated firms:

	2021 $	2020 $
Audit services		
Audit or review of the financial statements	55,500	41,800
	55,500	41,800

Note 22. Contingent assets and liabilities

The Company does not have any contingent assets or contingent liabilities at 30 June 2021 (2020: Nil).

Note 23. Commitments

Committed at the reporting date but not recognised as liabilities:

	2021 $	2020 $
Research collaboration agreement:		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	175,300	317,851
Later than 1 year but not later than 5 years	-	251,950
Construction of Commercial Demonstration Plant		
Within one year	8,590,317	-
Later than 1 year but not later than 5 years	-	-
	8,765,617	569,801

Note 24. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 20 and the remuneration report in the Directors' Report.

Transactions with related parties
There were no other transactions with related parties.

Receivable from and payable to related parties
There were no amounts receivable from related parties at the current or previous reporting period. At 30 June 2021, $2,494 was payable to Geoff Ward (Managing Director and Chief Executive Officer) in relation to mandatory superannuation contributions for the month of June 2021. At 30 June 2020, a bonus of $32,500 was payable to Geoff Ward (Managing Director and Chief Executive Officer).

Note 25. Reconciliation of profit after income tax to net cash from operating activities

	Note	2021 $	2020 $
Loss after income tax expense for the year		(11,656,094)	(3,225,289)
Adjustments for:			
Share-based payments	26	3,200,397	672,072
Depreciation		47,425	45,053
Transaction costs related to borrowings		35,500	-
Finance costs		-	7,506
Impairment expense	8	5,501,361	-
Change in operating assets and liabilities:			
- other current assets		(194,468)	(79,529)
- trade and other payables		15,239	43,978
- employee benefits		33,413	42,701
- trade and other receivables		(1,280,930)	-
- receipt of ARENA grant funding (contract liabilities)		5,420,000	-
- receipt of ARENA grant funding (commercial demonstration plant – grant offset)		3,990,000	
Net cash used in operating activities		5,111,843	(2,493,508)

Note 26. Share based payments
For the year ended 30 June 2021:
Set out below are summaries of the movements of options granted to key management personnel, employees and contractors of the Company:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised/ Quoted as Listed options	Expired/ forfeited/ other	Balance at the end of the year
6/04/2017	31/12/2020	$0.95	750,000	-	-	(750,000)	-
6/04/2017	31/12/2021	$1.20	1,000,000	-	-	-	1,000,000
4/12/2017	31/12/2020	$0.95	3,000,000	-	-	(3,000,000)	-
4/12/2017	31/12/2021	$1.20	2,500,000	-	(200,000)	-	2,300,000
29/12/2017	31/12/2020	$0.40	8,875,000	-	(8,875,000)	-	-
29/08/2018	30/06/2023	$0.70	500,000	-	-	-	500,000
14/11/2018	30/06/2022	$0.50	2,000,000	-	-	-	2,000,000
14/11/2018	30/06/2023	$0.70	2,000,000	-	-	-	2,000,000
14/11/2018	30/06/2024	$0.90	2,000,000	-	-	-	2,000,000
18/10/2019	30/06/2023	$0.70	1,550,000	-	-	-	1,550,000
18/10/2019	30/06/2024	$0.90	1,450,000	-	-	-	1,450,000
1/12/2020	30/06/2024	$0.90	-	2,000,000	-	-	2,000,000
12/04/2021	12/04/2026	$1 for all options[1]	-	2,250,000[1]	-	-	2,250,000
			25,625,000	4,250,000	(9,075,000)	(3,750,000)	17,050,000

[1] On 12th April 2021, AP Ventures Fund II GP LLP were issued 2,250,000 options to acquire 2,250,000 ordinary Hazer share for a collective nominal exercise price of $1 for all options. The options will expire 5 years from the date of their issue and cannot be exercised in the first 12 months following issue of the options.

For the year ended 30 June 2020:
Set out below are summaries of the movements of options granted to key management personnel, employees and contractors of the Company:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised/ Quoted as Listed options	Expired/ forfeited/ other	Balance at the end of the year
16/09/2015	31/12/2019	$0.40	4,850,000	-	(900,000)	(3,950,000)	-
01/07/2016	30/06/2020	$0.75	575,000	-	-	(575,000)	-
22/08/2016	30/06/2020	$0.75	100,000	-	-	(100,000)	-
31/10/2016	30/06/2020	$0.75	600,000	-	-	(600,000)	-
15/11/2016	30/06/2020	$0.75	575,000	-	-	(575,000)	-
20/03/2017	30/06/2020	$0.75	350,000	-	-	(350,000)	-
06/04/2017	31/12/2020	$0.95	750,000	-	-	-	750,000
06/04/2017	31/12/2021	$1.20	1,000,000	-	-	-	1,000,000
13/06/2017	30/06/2020	$0.75	1,300,000	-	-	(1,300,000)	-
06/09/2017	30/06/2020	$0.75	300,000	-	-	(300,000)	-
04/12/2017	30/06/2020	$0.75	3,200,000	-	-	(3,200,000)	-
04/12/2017	31/12/2020	$0.95	3,000,000	-	-	-	3,000,000
04/12/2017	31/12/2021	$1.20	2,500,000	-	-	-	2,500,000
29/12/2017	31/12/2020	$0.40	11,500,000	-	(2,625,000)	-	8,875,000
29/08/2018	30/06/2023	$0.70	500,000	-	-	-	500,000
14/11/2018	30/06/2022	$0.50	2,000,000	-	-	-	2,000,000
14/11/2018	30/06/2023	$0.70	2,000,000	-	-	-	2,000,000
14/11/2018	30/06/2024	$0.90	2,000,000	-	-	-	2,000,000
18/10/2019	30/06/2023	$0.70	-	1,550,000	-	-	1,550,000
18/10/2019	30/06/2024	$0.90	-	1,450,000	-	-	1,450,000
			37,100,000	3,000,000	(3,525,000)	(10,950,000)	25,625,000

On 20 March 2017 Mineral Resources Limited (ASX: MIN) were issued 4,166,667 unlisted options as part of a placement for 8,333,333 fully paid ordinary shares. The free attaching options issued to Mineral Resources Limited expired on 31 December 2019.

Note 26. Share based payments (Cont'd)

Set out below are the options exercisable at the end of the financial year:

Option series	Grant date	Expiry date	2021 Number	2020 Number
Series J	6/04/2017	31/12/2020	-	750,000
Series K	6/04/2017	31/12/2021	1,000,000	1,000,000
Series J	4/12/2017	31/12/2020	-	3,000,000
Series K	4/12/2017	31/12/2021	2,300,000	2,500,000
Series B	29/12/2017	31/12/2020	-	8,875,000
Series M	29/08/2018	30/06/2023	500,000	500,000
Series L	14/11/2018	30/06/2022	2,000,000	2,000,000
Series M	14/11/2018	30/06/2023	2,000,000	2,000,000
Series N	14/11/2018	30/06/2024	2,000,000	2,000,000
Series M	18/10/2019	30/06/2023	1,550,000[1]	1,550,000
Series N	18/10/2019	30/06/2024	1,450,000[1]	1,450,000
Series N	1/12/2020	30/06/2024	2,000,000[2]	-
Series O	12/04/2021	12/04/2026	2,250,000[3]	-
			17,050,000	25,625,000

[1] 1,000,000 options of the total 3,000,000 options issued have not vested at the reporting date.
[2] 1,000,000 options of the total 2,000,000 options issued have not vested at the reporting date.
[3] Options granted cannot be exercised prior to 12 April 2022

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.30 years (2020: 1.62)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/12/2020	30/06/2024	$0.62	$0.90	75%	0.00%	0.11%	543,422
12/04/2021	12/04/2026	$1.12	$1 collective[1]	-	0.00%	-	2,519,999

[1] On 12th April 2021, AP Ventures Fund II GP LLP were issued 2,250,000 options to acquire 2,250,000 ordinary Hazer share for a collective nominal exercise price of $1 for all options. The options will expire 5 years from the date of their issue and cannot be exercised in the first 12 months following the issue of the options

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the year were as follows:

	2021 $	**2020 $**
Options issued to KMP	88,585	256,839
Options issued to employees/consultants	591,812	415,233
Options issued to convertible note holders	2,520,000	-
	3,200,397	672,072

Note 27. Earnings per share

	2021 $	2020 $
Loss after income tax	11,656,094	3,225,289
Loss after income tax attributable to the owners of Hazer Group Limited	11,656,094	3,225,289

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	141,730,624	107,723,166

	Cents	Cents
Basic loss per share	8.22	2.99
Diluted loss per share	8.22	2.99

The Company has 17,050,000 (2020: 25,625,000) options and 4,000,000 (2020: Nil) convertible notes at 30 June 2021, which could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period presented.

Note 28. R&D tax rebate

Management applied judgement to estimate the amount of Research & Development rebate (R&D rebate) available to the Company for the financial year ended 30 June 2021 to be $1,326,917. In October 2020, the Company received an R&D rebate of $951,463 for the financial year ended 30 June 2020. This was recognised in the financial year ended 30 June 2021 as a reliable estimate of the amount receivable was not made as at 30 June 2020.

Note 29. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing. While Hazer has been able to mitigate most major impacts of the COVID-19 pandemic, we have seen significant disruptions to the Commercial Demonstration Project through restrictions on travel, ability to access suppliers, disruption to supply chains and logistics and competition for resources. As we complete the construction of the Hazer CDP in 1H FY2022 and move into commissioning, we will continue to be subject to the risk of further disruptions, the extent and timing of which it is not possible to estimate at this time, and which will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Tim Goldsmith

Tim Goldsmith
Chairman

27 August 2021
Melbourne

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HAZER GROUP LIMITED

Opinion

We have audited the financial report of Hazer Group Limited (the Company) which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Key Audit Matters

Key audit matters (KAM) are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
R&D tax rebate Refer to Note 28 in the financial statements	
The Company receives a 43.5% refundable tax offset of eligible expenditure under the research and development (R&D) tax incentive scheme. Management appointed third party expert to perform a detailed review of the Company's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. The Company recognises the R&D tax rebate income on an accrual basis, meaning that a receivable is recorded at the balance date based on the estimated claim that is yet to be received from the Australian Taxation Office. The receivable at year-end for the incentive was $1,326,917 representing the estimated claim for the activity for the year ended 30 June 2021. The R&D tax rebate represents a material amount of income and asset reported in the 2021 financial report. This is a key audit matter due to the size of the accrual and a high degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our audit procedures included: ▪ Obtaining the R&D rebate calculations prepared by management and engaging a R&D Tax Expert to assess the methodology to determine the estimate. ▪ Reviewing the expenses applied against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were appropriate to meet the eligibility criteria. ▪ Assessing the eligible expenditure used to calculate the estimate to determine whether it is in accordance with accounting records. ▪ Agreeing a sample of individual expenditure items included in the estimate to underlying supporting documentation to determine that they have been appropriately recognised in the accounting records and that they are eligible expenditures. ▪ Reviewing the appropriateness of the disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Hazer Group Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 27 August 2021

SHAREHOLDER INFORMATION

ASX Additional Information

The Company's ordinary shares are quoted as 'HZR' on ASX.

The shareholder information set out below was applicable as at 13 August 2021.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of ordinary shares	Number of holders of ordinary shares
100,001 and over	63,212,666	166
10,001 to 100,000	54,041,343	1,861
5,001 to 10,000	12,673,240	1,609
1,001 to 5,000	13,247,740	5,044
1 to 1,000	2,159,813	3,317
	145,334,802	11,997
Holding less than a marketable parcel	250,011	834

Equity security holders
Twenty largest quoted equity security holders
The names of the 20 largest security holders of each class of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	8,215,984	5.65
CITICORP NOMINEES PTY LIMITED	4,970,367	3.42
POINT AT INFINITY PTY LTD <CORNEJO FAMILY A/C>	3,004,666	2.07
UBS NOMINEES PTY LTD	2,417,784	1.66
MR JAMIE PHILLIP BOYTON	2,000,000	1.38
OOFY PROSSER PTY LTD <DRONES FAMILY A/C>	1,843,365	1.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,624,086	1.12
MR ADRIAN JOHN MCTIERNAN	1,350,000	0.93
THE UNIVERSITY OF WESTERN AUSTRALIA	1,216,567	0.84
TURQUOIS BLUE PTY LTD <BLUEHAVEN S/F A/C>	1,127,000	0.78
MRS LORRAINE ALYSSA GOLDSMITH	1,048,844	0.72
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	996,056	0.69
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	916,726	0.63
MR GRAEME STANLEY AH KIT	901,000	0.62
MRS JOANNE ROSEMARY LLOYD	750,000	0.52
BNP PARIBAS NOMS PTY LTD <DRP>	717,268	0.49
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	711,462	0.49
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	577,116	0.40
JOE BOY & MIA MOO PTY LTD <HINCHLIFFE FAMILY A/C>	545,054	0.38
MR PETER KARAS & MRS CHRISTINA KARAS	540,752	0.37
	35,474,097	24.41

SHAREHOLDER INFORMATION

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares – Series K	3,300,000	2
Options over ordinary shares – Series L	2,000,000	1
Options over ordinary shares – Series M	4,050,000	6
Options over ordinary shares – Series N	5,450,000	5
Options over ordinary shares – Series O	2,250,000	1
Total	17,050,000	

The unquoted equity securities were issued to key management personnel, employees and contractors of the Company.

Substantial holders

There were no substantial holders in the Company with a percentage of total shares issued greater than 5% of total shares issued.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

There are no other classes of equity securities.

On-market Buy-back
There is no current on-market buy-back of the Company's securities in place.