

Hazer Group Limited

ABN 144 044 600

Annual Report - 30 June 2015

For personal use only

Hazer Group Limited
Directors' report
30 June 2015

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 2015.

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:

Geoff Pocock
Rick Hopkins
Bryant McLarty (appointed on 28 April 2015)
Danielle Lee (appointed on 16 September 2015)

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.

Costs associated with the research and development of novel graphite and hydrogen production technology have not at the reporting date met the criteria for recognition as an intangible asset. As a result, the company has recognised these costs as an expense when incurred. The company will re-assess the treatment of these costs during future periods as the company continues to progress with the development of its technology.

Dividends

No dividends were declared or paid during the current or previous financial year.

Review of operations

The loss for the company amounted to \$522,493 (30 June 2014: \$166,214).

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

On 16 September 2015, 500,000 options exercisable at \$0.25 each were issued to management which vest upon completion of the capital raising. Hazer also issued to directors and management, 5,250,000 options exercisable at \$0.25 which vest 6 months after the company's shares are admitted to the official list of the ASX, and 5,250,000 options exercisable at \$0.40 which vest 18 months after the company's shares are admitted to the official list of the ASX.

On 22 September 2015 a prospectus was lodged for the offer of 25,000,000 shares at an issue price of 20 cents each to raise \$5,000,000.

On 24 September 2015 an application was made to the ASX to be admitted to the official list of the ASX and for the quotation of the company's shares.

No other matter or circumstance has arisen since 30 June 2015 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 is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Hazer Group Limited
Directors' report
30 June 2015**

Information on directors

Name: Geoff Pocock
Title: Managing Director
Qualifications: Bachelor of Science (first class honours) from University of Western Australia; Bachelor of Laws (University of Western Australia) and Post Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia.
Experience and expertise: Geoff Pocock is an experienced strategy consultant and commercialisation professional, with over 20 years' experience across the commercialisation process. Geoff's experience has covered technical roles, executive management as well as significant corporate finance and strategy roles with a number of technology commercialisation ventures. Geoff is the Principal of Polaris Consulting (WA) Pty Ltd, a specialist boutique commercialisation strategy and corporate advisory business based in Western Australia. Prior to founding Hazer, he was a founder and Managing Director of Dynamic Microbials Limited, an unlisted public drug discovery company working on the identification and development of novel antibiotics for specialist human health application. Geoff was an Executive Director/Managing Director of Dynamic from the Company's inception until the Company was acquired by its parent Phylogica Ltd in an all-scrip merger in 2008. Geoff has extensive strategy consulting and corporate advisory experience, through a number of boutique Western Australian corporate/advisory firms, and he was a Founder and executive of a mid-tier strategy consulting firm, overseeing the growth of the firm from its formation and initial operations to it becoming the largest strategy consulting firm in Western Australia with over 20 professional staff, with a concomitant increase in revenue and profitability.
Special responsibilities: Nil

Name: Rick Hopkins
Title: Non-Executive Chairman
Qualifications: Bachelor of Commerce from the University of Western Australia, a Postgraduate Diploma in Business from Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. Rick is a fellow of Chartered Accountants Australia and New Zealand and a fellow of Financial Services Institute of Australia.
Experience and expertise: Rick Hopkins is a Chartered Accountant with over 30 years of experience advising on corporate, taxation and accounting matters. Rick is currently a partner at PKF Lawler, having previously been a Director at Barringtons Chartered Accountants. He has vast experience advising on project management, corporate and taxation matters for a wide range of corporate clients. His particular expertise extends to corporate and structuring advice, capital raising, tax, and cash flow planning. He has worked on various committees of The Tax Institute and Chartered Accountants Australia and New Zealand.
Special responsibilities: Member of Audit and Risk Committee and Remuneration and Nomination Committee

**Hazer Group Limited
Directors' report
30 June 2015**

Name: Bryant McLarty (appointed on 28 April 2015)
 Title: Non-Executive Director
 Qualifications: Nil
 Experience and expertise: Bryant is the Executive Chairman of Mac Equity Partners, a boutique Western Australian stockbroking and corporate advisory business operating since 2009. Clients include ASX listed, public and private companies, wholesale high net worth investors and overseas funds who are provided with a complete range of services including capital raising, share trading, corporate advisory, marketing, presentation, consulting and strategic advice. Bryant has over 20 years' experience in public capital markets and raising capital for technology ventures. Bryant was the Executive Chairman of PharmAust Limited (ASX:PAA), during which time it provided highly specialised medicinal and synthetic chemistry services on a contract basis to clients. Bryant was also a Non Executive Director of Avation PLC (LSE:AVAP), a specialist commercial passenger aircraft leasing company managing a fleet of 24 aircraft, from 2008 to 2013. Avation also has a subsidiary that supplies aircraft parts and spares to a range of operators internationally.

Special responsibilities: Member of Audit and Risk Committee and Remuneration and Nomination Committee

Name: Danielle Lee (appointed on 16 September 2015)
 Title: Non-Executive Director
 Qualifications: Bachelor of Economics from the University of Western Australia, Bachelor of Laws from the University of Western Australia (first class honours); Post Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.
 Experience and expertise: Danielle is a corporate lawyer with more than 20 years' experience shared between private law firms and the Australian Securities Exchange (ASX). Danielle is currently special counsel at Jackson McDonald working in the corporate commercial team. Danielle's main practice areas are corporate advisory, governance and equity capital markets. Danielle advises on a range of corporate and commercial transactions including capital raisings, business and share acquisitions, shareholder agreements and joint venture arrangements. Danielle regularly advises on issues relating to the Corporations Act and ASX Listing Rules. Danielle was previously counsel for Fairweather Corporate Lawyers for approximately 7 years after having worked for approximately 9 years as legal counsel at ASX Sydney and Assistant Manager at ASX Perth.

Special responsibilities: Member of Audit and Risk Committee and Remuneration and Nomination Committee

Company secretary

Emma Waldon has held the role of Company Secretary since 10 August 2015. Emma has diverse global corporate advisory, capital markets and corporate governance experience having held roles in accounting and debt and equity capital markets in Australia and the United Kingdom.

Emma Waldon qualified as a Chartered Accountant with Ernst & Young in Perth, worked as an Equities Analyst with Euroz Securities and spent 9 years in London with Bank of Scotland and Lloyds Bank originating and re-structuring debt finance for private equity leveraged buy-outs of businesses across Europe. Emma was most recently a Director within Deloitte's financial advisory services division in Perth and is currently a Non-Executive Director and the Company Secretary of Moko Social Media Limited.

Emma Waldon completed a Bachelor of Commerce at UWA, is a member of the Institute of Chartered Accountants of Australia, a Fellow of the Financial Services Institute of Australasia and a Certificated Member of the Governance Institute of Australia.

Meetings of directors

The number of meetings of the company's Board of Directors (the 'Board') held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Board meetings	
	Attended	Held
Geoff Pocock	-	-
Rick Hopkins	-	-
Bryant McLarty	-	-
Danielle Lee	-	-

Hazer Group Limited
Directors' report
30 June 2015

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
30/01/2015	31/12/2017	\$0.25	8,000,000
09/02/2015	31/12/2017	\$0.25	3,000,000
16/09/2015	31/12/2017	\$0.25	500,000
16/09/2015	31/12/2018	\$0.25	5,250,000
16/09/2015	31/12/2019	\$0.40	5,250,000

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

No ordinary shares of the company were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted.

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.

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 continues in office in accordance with section 327 of the Corporations Act 2001.

Hazer Group Limited
Directors' report
30 June 2015

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



Geoff Poolek
Director

27 October 2015
Perth

For personal use only

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

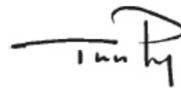
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hazer Group Limited for the year ended 30 June 2015, 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



TUTU PHONG
Partner

Perth, WA
Dated: 27 October 2015

For personal use only

Hazer Group Limited

Contents

30 June 2015

Contents

Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	20
Independent auditor's report to the members of Hazer Group Limited	21

General information

The financial statements cover Hazer Group Limited (the 'company'). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

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

Registered office

7/29 The Avenue
Nedlands WA 6009

Principal place of business

7/29 The Avenue
Nedlands WA 6009

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 October 2015. The directors have the power to amend and reissue the financial statements.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue			
Interest received		6,632	2,596
Expenses			
Administration expenses		(59,164)	(684)
Consulting and research expenses		(204,836)	(43,000)
Share based payments		(264,994)	(125,000)
Finance costs		(131)	(126)
		<hr/>	<hr/>
Loss before income tax expense		(522,493)	(166,214)
Income tax expense	15	<hr/> -	<hr/> -
Loss after income tax expense for the year		(522,493)	(166,214)
Other comprehensive income			
Other comprehensive income for the year, net of tax		<hr/> -	<hr/> -
Total comprehensive loss for the year		<hr/> <u>(522,493)</u>	<hr/> <u>(166,214)</u>

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

Hazer Group Limited
Statement of financial position
As at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents	3	562,927	66,195
GST Refundable		28,388	3,282
Total current assets		<u>591,315</u>	<u>69,477</u>
Non-current assets			
Total non-current assets		<u>-</u>	<u>-</u>
Total assets		<u>591,315</u>	<u>69,477</u>
Liabilities			
Current liabilities			
Trade and other payables		46,224	-
Total current liabilities		<u>46,224</u>	<u>-</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>46,224</u>	<u>-</u>
Net assets		<u>545,091</u>	<u>69,477</u>
Equity			
Issued capital	4	1,582,945	714,232
Reserves	5	129,394	-
Accumulated losses	6	(1,167,248)	(644,755)
Total equity		<u>545,091</u>	<u>69,477</u>

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

Hazer Group Limited
Statement of changes in equity
For the year ended 30 June 2015

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	499,282	-	(478,541)	20,741
Loss after income tax expense for the year	-	-	(166,214)	(166,214)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(166,214)	(166,214)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 4)	89,950	-	-	89,950
Share-based payments (note 14)	125,000	-	-	125,000
Balance at 30 June 2014	714,232	-	(644,755)	69,477
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2014	714,232	-	(644,755)	69,477
Loss after income tax expense for the year	-	-	(522,493)	(522,493)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(522,493)	(522,493)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 4)	733,113	-	-	733,113
Share-based payments (note 14)	135,600	129,394	-	264,994
Balance at 30 June 2015	1,582,945	129,394	(1,167,248)	545,091

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

Hazer Group Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(242,882)	(47,330)
Interest received		6,632	2,596
Interest and other finance costs paid		<u>(131)</u>	<u>(126)</u>
Net cash used in operating activities	13	<u>(236,381)</u>	<u>(44,860)</u>
Cash flows from investing activities			
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares		733,113	-
Repayment of convertible notes		<u>-</u>	<u>(2,800)</u>
Net cash provided by/(used in) financing activities		<u>733,113</u>	<u>(2,800)</u>
Net increase/(decrease) in cash and cash equivalents		496,732	(47,660)
Cash and cash equivalents at the beginning of the financial year		<u>66,195</u>	<u>113,855</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>562,927</u></u>	<u><u>66,195</u></u>

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, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 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 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.

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 presentation purposes, in the statement of cash flows, 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 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.

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.

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 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.

Note 1. Significant accounting policies (continued)

Research and development

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

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Share-based payment transactions

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 are measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity settled transactions are recognised, together 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 expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

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 2015. These are not expected to have significant impact on the financial performance or position of the company upon adoption. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2018
--------	------------------------------	--	----------------

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.

Note 3. Current assets - cash and cash equivalents

	2015 \$	2014 \$
Cash at bank	562,927	66,195
	<u>562,927</u>	<u>66,195</u>

Note 4. Equity - issued capital

	2015 Shares	2014 Shares	2015 \$	2014 \$
Ordinary shares - fully paid	<u>36,192,002</u>	<u>15,299,010</u>	<u>1,582,945</u>	<u>714,232</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2013	11,000,010		499,282
Convertible notes converted to shares	31 January 2014	1,799,000	\$0.05	89,950
Issue of shares	28 February 2014	<u>2,500,000</u>	\$0.05	<u>125,000</u>
Balance	30 June 2014	15,299,010		714,232
Issue of shares on the exercise of rights	30 January 2015	13,841,833	\$0.05	692,092
Share issue transaction costs, net of tax	30 January 2015	-		(145,000)
Issue of shares	30 January 2015	3,750,000	\$0.05	187,500
Issue of shares	9 February 2015	1,250,000	\$0.05	62,500
Issue of shares on the exercise of rights	24 April 2015	1,457,177	\$0.05	72,859
Share issue transaction costs, net of tax	24 April 2015	-		(30,937)
Issue of shares	24 April 2015	393,982	\$0.05	19,699
Issue of shares	19 May 2015	<u>200,000</u>	\$0.05	<u>10,000</u>
Balance	30 June 2015	<u>36,192,002</u>		<u>1,582,945</u>

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.

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.

Note 5. Equity - reserves

	2015 \$	2014 \$
Option reserve	129,394	-
	<u>129,394</u>	<u>-</u>

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:

	Option Reserve \$	Total \$
Balance at 1 July 2013	-	-
Balance at 30 June 2014	-	-
Issue of options	129,394	129,394
Balance at 30 June 2015	<u>129,394</u>	<u>129,394</u>

Note 6. Equity – Accumulated losses

	2015 \$	2014 \$
Accumulated losses at the beginning of the financial year	644,755	478,541
Loss after income tax expense for the year	522,493	166,214
Accumulated losses at the end of the financial year	<u>1,167,248</u>	<u>644,755</u>

Note 7. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2015 \$	2014 \$
Short-term employee benefits	204,836	43,000
Share-based payments	194,873	125,000
	<u>399,709</u>	<u>168,000</u>

Note 8. Remuneration of auditors

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

	2015 \$	2014 \$
<i>Audit services - RSM</i>		
Audit of the financial statements	10,000	15,000
<i>Other services - RSM</i>		
Investigating Accountants Report	10,000	-
	<u>20,000</u>	<u>15,000</u>

Note 9. Contingent assets and contingent liabilities

The company does not have any contingent assets or contingent liabilities at 30 June 2015.

Note 10. Commitments

The company had no commitments for expenditure as at 30 June 2015.

Note 11. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 7.

Transactions with related parties

During the year, director's fees were paid to Polaris Consulting (WA) Pty Ltd, a company of which Geoff Pocock is a director. Disclosures of these fees paid are included in the compensation paid to key management personnel set out in note 7.

Receivable from and payable to related parties

There was \$32,656 owing to Polaris Consulting (WA) Pty Ltd at 30 June 2015 (2014: nil).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 12. Events after the reporting period

On 16 September 2015, 500,000 options exercisable at \$0.25 each were issued to management which vest upon completion of the capital raising. Hazer also issued to directors and management, 5,250,000 options exercisable at \$0.25 which vest 6 months after the company's shares are admitted to the official list of the ASX, and 5,250,000 options exercisable at \$0.40 which vest 18 months after the company's shares are admitted to the official list of the ASX.

On 22 September 2015 a prospectus was lodged for the offer of 25,000,000 shares at an issue price of 20 cents each to raise \$5,000,000.

On 24 September 2015 an application was made to the ASX to be admitted to the official list of the ASX and for the quotation of the company's shares.

No other matter or circumstance has arisen since 30 June 2015 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.

Hazer Group Limited
Notes to the financial statements
30 June 2015

Note 13. Reconciliation of loss after income tax to net cash from operating activities

	2015 \$	2014 \$
Loss after income tax expense for the year	(522,493)	(166,214)
Adjustments for:		
Share-based payments	264,994	125,000
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(25,106)	-
Increase/(decrease) in trade and other payables	46,224	(3,646)
	<u>(236,381)</u>	<u>(44,860)</u>
Net cash used in operating activities	<u>(236,381)</u>	<u>(44,860)</u>

Note 14. Share-based payments

For the year ended 30 June 2014:

On 28 February 2014, 2,500,000 shares were issued to key management personnel at an issue price of \$0.05 per share with a total value of \$125,000.

For the year ended 30 June 2015:

On 30 January 2015, 1,250,000 shares were issued to key management personnel and 2,500,000 shares were issued to creditors for underwriting and other capital raising costs at an issue price of \$0.05 per share with a total value of \$187,500.

On 9 February 2015, 1,250,000 shares were issued to key management personnel at an issue price of \$0.05 per share with a total value of \$62,500.

On 24 April 2015, 393,982 shares were issued to creditors at an issue price of \$0.05 per share with a total value of \$19,699. Of this amount, \$19,099 related to capital raising costs.

On 19 May 2015, 200,000 shares were issued to creditors at an issue price of \$0.05 per share with a total value of \$10,000.

A share option plan has been established by the company and approved by shareholders at a general meeting, whereby the company may, at the discretion of the Board, grant options over ordinary shares in the company to certain key management personnel of the company. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of options granted under the plan:

2015		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Grant date	Expiry date						
30/01/2015	31/12/2017	\$0.25	-	8,000,000	-	-	8,000,000
09/02/2015	31/12/2017	\$0.25	-	3,000,000	-	-	3,000,000
			-	<u>11,000,000</u>	-	-	<u>11,000,000</u>
Weighted average exercise price			\$0.00	\$0.25	\$0.00	\$0.00	\$0.25

Hazer Group Limited
Notes to the financial statements
30 June 2015

Note 14. Share-based payments (continued)

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

Grant date	Expiry date	2015 Number	2014 Number
30/01/2015	31/12/2017	8,000,000	-
09/02/2015	31/12/2017	3,000,000	-
		<u>11,000,000</u>	<u>-</u>

The options outlined above are Series A Options which vest upon the Company being admitted to the official list of the ASX. The Series A Options are primary Options which upon the exercise of each Series A Option result in the issue of one Share and one Series B Option (a secondary Option). Series B Options have an exercise price of 40 cents and an expiry date of 31 December 2020.

The total value of the share options outlined above was \$290,019 valued using the Black-Scholes model. During the year ended 30 June 2015, \$129,394 was charged to profit or loss. The remainder will be expensed in future financial periods.

The weighted average share price during the financial year was \$0.05 (2014: \$0.05).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.51 years.

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
30/01/2015	31/12/2017	\$0.05	\$0.25	100.00%	0.00%	2.00%	\$0.015
09/02/2015	31/12/2017	\$0.05	\$0.25	100.00%	0.00%	2.00%	\$0.015

Note 15. Income Tax

The prima facie tax receivable on loss before income tax is reconciled to the income tax expense as follows:

	2015 \$	2014 \$
Prima facie benefit on operating loss at 30% (2014: 30%)	156,758	49,864
Tax losses not brought to account	<u>(156,758)</u>	<u>(49,864)</u>
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$222,450 (2014: \$65,702) 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 exploration 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 exploration expenditure.

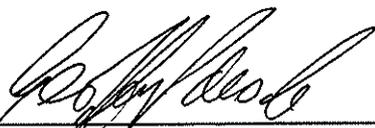
**Hazer Group Limited
Directors' declaration
30 June 2015**

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 2015 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

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



Geoff Porock
Director

27 October 2015
Perth

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

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

We have audited the accompanying financial report of Hazer Group Limited (the "company"), which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

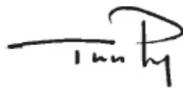
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hazer Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Hazer Group Limited 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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM
RSM


TUTU PHONG
Partner

Perth, WA
Dated: 27 October 2015

For personal use only