

Hazer Group Ltd

14:53 25 Jun 2019

Hazer Group has further significant upside potential: State One Stockbroking

Hazer Group Ltd (ASX:HZR) is adopting a multi-prong approach to commercialising its proprietary Hazer Process - the conversion, at moderate temperature and pressure, of natural gas and similar methane feedstocks into hydrogen and graphite, using iron ore as a process catalyst.

On May 31 2019, Hazer announced that it had entered a MOU with Western Australian State Government-owned Water Corporation to explore the development of a 100 tonnes per annum hydrogen production plant at the Woodman Point Wastewater Treatment Plant.

Following is an extract from State One Stockbroking's research update on Hazer Group:

An important step for the Commercial Demonstration Plant (CDP) Project

If negotiations with Water Corporation are successful, HZR will have secured (1) a physical location for its CDP and (2) a gas source (biogas) to produce 100tpa of hydrogen (and some 375tpa of graphite by-product).

WA's largest wastewater treatment plant is presently looking to increase its waste water treatment capacity by ~30% to cater for projected regional population growth. Bearing in mind current, and indeed future, treatment plant upgrades, we believe that an important item in progressing the MOU will be finding a suitable location for the CDP. However, with a footprint of < 400m² (i.e., less than 2 tennis courts), we believe that finding "room" for the CDP should not be a significant hurdle.

Although the bulk of biogas produced by the wastewater treatment process at Woodman Point is used to power onsite CHP reciprocating engines to produce electricity for internal use, a portion of the biogas is flared off (to waste).

We understand that the treatment plant produces significantly more waste biogas than the CDP's required feedstock of two million m³ per annum. Thus, the Hazer Process offers the treatment plant operators an important avenue for carbon abatement and reducing the facility's total greenhouse gas (methane, CO₂) emissions. An additional incentive for the treatment plant operator could be potential income - even if nominal - from the sale of waste biogas to HZR.

We believe that HZR is currently in discussions with several potential hydrogen buyers including local bus fleet operators; we believe plans at this stage are for the graphite by-product to be sold into the spot market. During the March 2019 quarter HZR completed the FEED study for the CDP. Securing funding for the estimated A\$15m capex is clearly the next significant step.

Price: 0.66

Market Cap: \$91.35 m

1 Year Share Price Graph



October 2019 April 2020 October 2020

Share Information

Code: HZR

Listing: ASX

52 week High Low
0.75 0.25

Sector: Exploration & Production

Website: www.hazergroup.com.au

Company Synopsis:

Hazer Group Ltd (ASX:HZR) is commercialising the Hazer Process, a low cost graphite and hydrogen production technology. The company is listed on the Australian Securities Exchange. .

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We note with interest that the Australian Government Renewable Energy Agency (ARENA) is actively investing in new renewable energy technologies including "green hydrogen" projects; recent projects funded by ARENA includes 50% of the A\$15m Jemena Power-to-Gas (P2G) facility in NSW in 2018, and 50% of the A\$7.4m Toyota Ecopark Hydrogen Demonstration project in Victoria in March 2019.

According to ARENA's website, as at 31 January 2019 ARENA had total funds of A\$379m available to commit to new projects, and expects that all funds will be fully committed by mid-2020.

We suggest that HZR's CDP plant has a good chance of securing funding (A\$7.5m or 50% of capex) from this government-funded body.

Risk-adjusted SOTP target price: A\$0.45ps (unchanged)

Our estimated risk-weighted SOTP equity value for HZR is A\$43m, equivalent to A\$0.45ps (@ 97m shares). **We maintain a Speculative Buy (Higher Risk) recommendation.** We see further significant upside potential as the group's various projects (PTR and FBR) are advanced, and as our deep risk discount to these projects are unwound.

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