

31 October 2022

ASX ANNOUNCEMENT (ASX:NRZ)

## Quarterly Report – September 2022

NeuRizer Ltd (ASX:NRZ) (“NeuRizer” or the “Company”) submits the following Activities Report and Quarterly Cash Flow Statement (Appendix 5B) for the quarter ending 30 September 2022 (“Q1 FY23”)

### Highlights

- Take or pay binding offtake agreement with contract value estimated at \$1.5bn signed with Daelim Co Ltd (Daelim)
- NeuRizer Urea Project (NRUP) declared a “Major Project” by the South Australian Government
- South Australian Government grants exclusive right to negotiate rail access between Leigh Creek and Port Augusta
- South Australian Premier meets with NRZ partner DL E&C Co Ltd (Daelim in South Korea)
- Operations update
- First Taskforce on Climate-Related Financial Disclosure (TCFD) report released

### Managing Director comment:

NeuRizer Managing Director Phil Staveley, commented, “Early in the quarter NeuRizer was pleased to announce the signing of a binding take-or-pay offtake agreement with Daelim. The Agreement is for the supply of 500,000 tonnes of urea annually with an estimated contract value of \$1.5 billion representing a secured amount of revenue upon commencement of operations, and an important commitment by our project partner. This followed the strategic investment in NeuRizer (in late June 2022) by our major partner DL E&C Co Ltd of \$14.6 million investment representing a 9% stake.”

“Some procedural but pleasing milestones have also been checked off this quarter with the SA Government granting NeuRizer the exclusive right to negotiate the use of the railway between Leigh Creek and Port Augusta and the recognition of the NRUP as an impact assessed development (major project) by the SA Government. Use of the railway assets will allow cost efficient transport and convenient access to customers, further increasing NRUP’s market competitiveness. The declaring of the NRUP as an Impact Assessed Development (previously major project status) is a major affirmation of the social, economic and environmental significance of our carbon-neutral urea project.

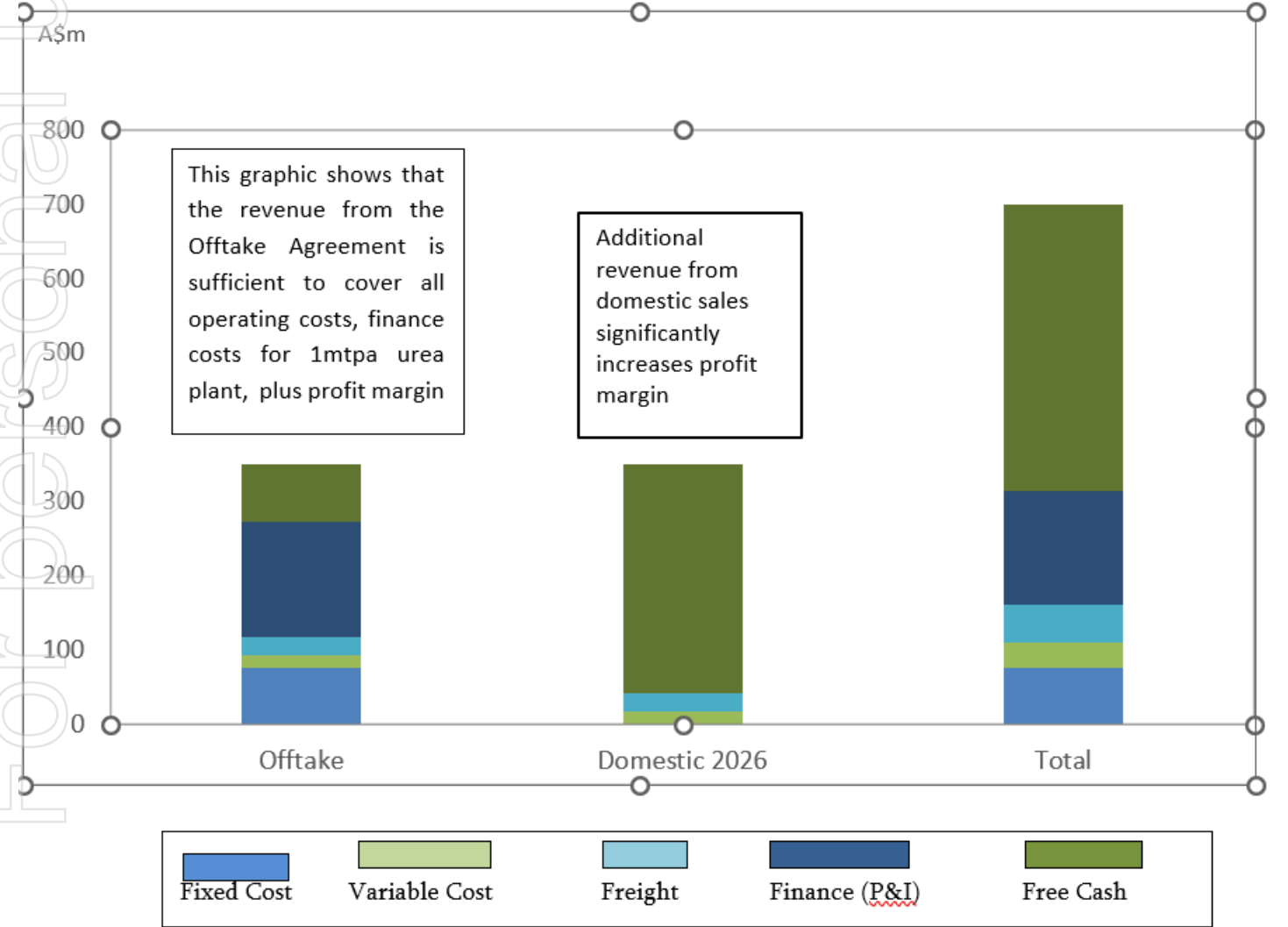
“The Company continues to progress towards its Final Investment Decision and continues to move forward with preliminary site works.”

Offtake Agreement – Binding take or pay

On 4 July 2022, NeuRizer signed a binding take or pay Offtake Agreement with Daelim Co Ltd (“DL Trading”) (a 100% subsidiary of Daelim) estimated to have a value of \$1.5 billion on CRU<sup>1</sup> forecasted prices (\$2.8 billion at current prices<sup>2</sup>). This major milestone secured distribution of 50% of the initial annual production target for the first five years to an affiliate of NeuRizer’s long-term strategic partner and significant shareholder DL E&C Ltd (Daelim).

This agreement provides NeuRizer with the certainty of revenue that is required for project financing and is likely to be the only offtake agreement required to secure construction funding (see below graphic). NeuRizer is able to then leverage prevailing market rates for the remaining 50% of urea produced.

FINANCIAL IMPACT OF OFFTAKE AGREEMENT



1. CRU is an independent forecast team which publishes the urea commodity price on a quarterly basis covering production, demand and trade as well as global capacity and includes key benchmarks over a 5-year period and long-term forecast that includes a 25-year forecast.

2. Index Mundi Urea Monthly Price. Index Mundi is a comprehensive data portal gathering data from multiple sources such as Fertilizer Week, Fertilizer International, and The World Bank, and is based on Index Mundi April/May 2022 datasets.

## Major Project status declared

Under the *Planning Development and Infrastructure Act 2016* (PDI Act) the SA Minister for Planning has the authority to declare projects that are recognised as being of significant economic, social or environmental importance to South Australia as Impact Assessed Development. On 29 September 2022, the NRUP was declared to be an Impact Assessed Development. This declaration is important because it affords the project proponent with additional support, coordination and information services from government agencies throughout the now streamlined approval process for above-ground facilities.

## Exclusive right to negotiate with South Australian Government for rail access

On 5 September the Company announced that the South Australian Government had positively responded to NeuRizer's proposal for access to the railway corridor assets between Leigh Creek and Port Augusta. NeuRizer has been granted a six-month period of exclusivity to prepare a business case to submit to the SA Government that would allow the Company to move the 1 million tonnes of urea that will be produced by the NRUP on this rail network.

## South Australian Premier signs a cooperation agreement with Daelim

In October the South Australian Premier Peter Malinauskas met with Daelim and signed a cooperation agreement with Mr Ma the CEO of our partner Daelim. The meeting was important because Daelim emphasized both the importance and the relevance of the NRZ project for Daelim and confirmed to the Premier their level of commitment to our project.

## Site Operations Update

NeuRizer's last quarter has achieved major progress for its fully integrated gas, electricity, water, fertiliser and CO<sub>2</sub> sequestration project. Key progress includes:

### Planning

Following an intensive research and development period, NeuRizer is proud to confirm that its innovative NRUP facility will be the first in the world not utilising the cooling water which have been replaced with fin fans, consistent with NRZ's sustainability commitments. In a traditionally designed plant with water cooling, the losses through evaporation are in order of tens of cubic meters per hour. NRZ is designing the NRUP facilities to both minimise water evaporation, and also to minimise water vapour emissions, which are widely recognised as the most abundant greenhouse gas in the Earth's atmosphere.

### Upstream

- Approvals:
  - Stage 3 approval process finalised with the stage 4 -final public consultation planned end of Q4 2022 start Q1 2023.
- Progress
  - Geotechnical investigation for foundations design finalised.
  - The planned 3D seismic campaign and subsequent investigation drilling have been finalised. These were the last steps required in locking the wells and gasifiers design.

- Above ground gas production and processing tender packages finalised and ready to be issued.

### Downstream

- Approvals
  - Following the declaration that the NRUP be declared an Impact Assessed Development by the South Australian Government, NeuRizer, its development consultant EMM and Daelim have progressed the development of the NRUP environment impact statement (EIS) for submission in 1H 2023.
- Feasibility study progress
  - NeuRizer finished the reporting period with Daelim feasibility study showing that current progress is 0.37% ahead of the schedule;
  - The Power package FEED was finalised 100% (completed), the contractor is progressing on modularization and procurement sourcing as per the plan;
  - The design of the power plant has identified several overriding operational objectives:
    - A vertically integrated facility that will operate in island mode at all times (ie. not require grid power);
    - De-risks the project from fluctuating power prices thus maintaining lower opex per tonne of urea produced.
  - The Fertiliser plant FEED has reached a critical milestone with all licensors design reviewed 100% and the HAZID planned in November.
  - The Traffic Management Plan/Module route Survey finalised, we have started the modularisation considering the identify constraints.

### Site Facilities:

- The South Australian Government have granted the existing on-site facilities and infrastructure to NeuRizer. Works to date include:
  - Refurbishment of the buildings in progress;
  - Monitoring wells review and further refurbishment in progress;
  - Water production bores refurbishment and study in progress.

### Supply chain

- Rail – the unsolicited approval for rail has been granted on a 6 month exclusivity basis – during this period NeuRizer will finalise a business case and condition assessment as the basis for contract negotiations;
- Port - Port selection process ongoing with port owners involved

### First TCFD report released

NeuRizer has made a commitment to join the TCFD and has released its first TCFD report for FY2021/22 on 10 August 2022. The report outlines the steps NeuRizer has taken to ensure its operations contribute to creating a lasting positive impact on the global issue of climate change. The report also outlines further commitments into FY2022/23.

The Company will continue to diligently monitor the impact of its activities to ensure fulfillment of commitments as it

moves into construction and towards operations. The NRUP is carbon neutral by design as the decarbonisation pathway for the NRUP is embedded in the Front-End-Engineering and Design process to ensure that it achieves a carbon neutral status from first operations in 2025.



## Urea Market Update

The global long-term outlook for urea is positive with international developments confirming a clear opportunity for the NRUP, for both export and domestic distribution and sale.

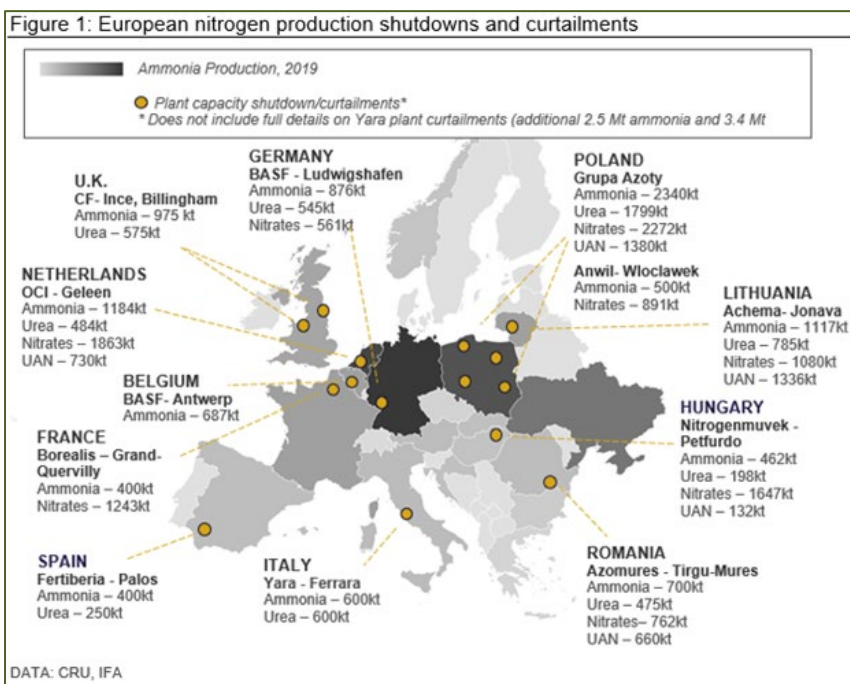
The fundamental economics of global urea production have been significantly impacted by a number of factors, all combining to reduce global supply chain capacity and reliability. These factors include:

- Increasing world population causing the need for more, higher quality food to be produced from less arable land;
- a rising underlying gas price for overseas manufacturers, increasing their cost base;
- decreasing gas exploration, meaning gas feedstock supplies are not being added to;
- lack of investment in new fossil fuel projects constricting supply;
- the Russian invasion of Ukraine; and
- persistent supply chain disruptions and backlogs due to the pandemic.

The impact of these factors on supply chains for Australian farmers places greater reliance on domestic manufacture of urea as a critical input into Australian agricultural production systems and has attracted the attention of the federal and state governments who are seeking to increase the security of supply and sovereign manufacturing capability of this essential agricultural input.

With Incitec Pivot's Gibson Island manufacturing plant in Brisbane closing at the end of December 2022, there has never been a greater need for domestic capability that is immune to external market factors.

During the quarter, a number of international urea and ammonia manufacturers closed site operations, predominantly due to the rising price and difficult supply chain issues of natural gas, the feedstock for ammonia production, as shown below. This heightens the need for sovereign urea manufacture in Australia, in order to secure supply chain certainty for Australian farmers of a key input supply to their production systems.



## Finance & Corporate

The accompanying Appendix 5B (Quarterly Cashflow Report) includes a summary of cash inflows and outflows for the quarter, including amounts in item 6.1 which include executive and non-executive director fees paid as salaries and wages.

Multiple offers were received and good progress made in completing the funding to FID for the NRUP. It is important we make the right decision which requires us to compare and properly evaluate each proposal. In order to bridge the gap between completing these assessments and negotiations and accessing the funds a short term small capital raise was completed on October 27.

## Tenements

The tenements held by the Company at the end of the quarter are shown in the table below:



Tenement	Percentage Interest	Grant Date	Location
Petroleum Exploration Licence 650	100%	18 November 2014	Leigh Creek, SA
Petroleum Exploration Licence Application 582	100%	Application Approved	Finniss Springs, SA
Petroleum Exploration Licence Application 643	100%	Application Approved	Callabonna, SA
Petroleum Exploration Licence Application 644	100%	Application Approved	Roxby Downs, SA
Petroleum Exploration Licence Application 647	100%	Application Approved	Leigh Creek, SA
Petroleum Exploration Licence Application 649	100%	Application Approved	Oakdale, SA
Petroleum Exploration Licence Application 675	100%	Application Approved	Cooper Basin, SA
Petroleum Exploration Licence 676	100%	2 September 2021	Cooper Basin, SA
Petroleum Retention Licence 247	100%	5 June 2020	Leigh Creek, SA
Petroleum Production Licence 269	100%	24 November 2020	Leigh Creek, SA
Gas Storage Exploration Licence 662	100%	5 February 2016	Leigh Creek, SA
Authority to Prospect 2023	0%	8 April 2020	Cooper Basin, SA
Authority to Prospect 2024	0%	8 April 2020	Cooper Basin, SA

*The NRZ Board has authorised this announcement for release to the ASX.*

## Further Information

### Investor and Media:

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## About NeuRizer Ltd

NeuRizer (NRZ) is the company responsible for progressing the NeuRizer Urea Project (NRUP). NRUP is a nationally significant project that will deliver low-cost, high-quality carbon neutral nitrogen-based fertiliser ensuring a secure supply for local and export agriculture markets. Located in South Australia, 550 kilometres north of Adelaide, the NRUP will initially produce 1mtpa of urea fertiliser with potential to increase to 2mtpa.

NRZ is a certified carbon neutral organisation having been awarded Climate Active certification in March 2022 and is a signatory to the United Nations Global Compact. The NRUP is carbon neutral by design, and the decarbonisation pathway for the NRUP is embedded in the Front-End Engineering and Design (FEED) process to ensure that the NRUP achieves zero carbon operations from first operations in 2025.

The NRUP will significantly increase Australia's sovereign manufacturing capability for fertiliser supporting Australian agricultural food production. The NRUP will strengthen supply chain resilience that will benefit Australian farmers by reducing the nation's reliance on imports.

The NRUP will be one of the biggest infrastructure projects of its type in Australia, providing long term economic development and employment opportunities (2,250+ construction jobs plus 1,200+ ongoing positions) for the communities of the Upper Spencer Gulf region, northern Flinders Ranges and South Australia.



The NRUP will be the only fully integrated urea production facility in Australia, with all inputs (gas, power and CO<sub>2</sub>) for carbon neutral urea production on-site, meaning NRZ will control both supply and cost of these major inputs, regardless of prevailing market conditions and supply chain dynamics.

# NeuRizer

TOWARDS A CARBON NEUTRAL WORLD

Level 11, 19 Grenfell St  
Adelaide SA 5000

[neurizer.com.au](https://neurizer.com.au)



## A message for NRZ Shareholders

Our company is committed to being a carbon neutral organisation and successfully achieved this in March 2022. To assist us in continuing to reduce our CO<sub>2</sub> footprint, we are asking all our shareholders to provide an email address to receive their communication online. This assists NeuRizer achieving a lower CO<sub>2</sub> footprint and contributes to global target in line with the Paris Agreement.

Please go to: [www.computershare.com.au/easyupdate/NRZ](http://www.computershare.com.au/easyupdate/NRZ)

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

NEURIZER LTD

ABN

31 107 531 822

Quarter ended ("current quarter")

September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers			
1.2 Payments for			
(a) exploration & evaluation			
(b) development			
(c) production			
(d) staff costs		(1,487)	(1,487)
(e) administration and corporate costs		(758)	(758)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other – movements in long-term bank deposits			
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(2,245)</b>	<b>(2,245)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) entities			
(b) tenements			
(c) property, plant and equipment		(122)	(122)
(d) exploration & evaluation		(15,441)	(15,441)
(e) investments			
(f) other non-current assets			

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – movements in long-term bank deposits	530	530
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(15,033)</b>	<b>(15,033)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	18,245	18,245
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(135)	(135)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(4)	(4)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>18,106</b>	<b>18,106</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	443	443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,245)	(2,245)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15,033)	(15,033)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,106	18,106

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,271	1,271

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,271	443
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,271	443

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	693
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p><b>Explanation:</b></p> <p>Executive and Non-Executive Directors fees.</p>		



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

**Total facility  
amount at quarter  
end  
\$A'000**

**Amount drawn at  
quarter end  
\$A'000**

20,000

15,000

20,000

15,000

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

5,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

As per ASX Announcements dated 17 December 2021 and 5 September 2022, the Company entered into a share placement agreement with Energy Exploration Capital Partners, LLC (EECP) to raise proceeds of \$15m, with an option of an additional placement of \$5m on the agreement of the investor. \$15m had been received at 30 September 2022, with the additional \$5m yet to be received.

**8. Estimated cash available for future operating activities****\$A'000**

8.1 Net cash from / (used in) operating activities (item 1.9)

(2,245)

8.2 (Payments for exploration &amp; evaluation classified as investing activities) (item 2.1(d))

(15,441)

8.3 Total relevant outgoings (item 8.1 + item 8.2)

(17,686)

8.4 Cash and cash equivalents at quarter end (item 4.6)

1,271

8.5 Unused finance facilities available at quarter end (item 7.5)

5,000

8.6 Total available funding (item 8.4 + item 8.5)

6,271

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)**

0.35

*Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.*

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, additional funding for operations has been secured as per the ASX Announcement 24 October 2022 "Private Share Placement". Additionally, as per the ASX Announcement 30 September 2022 "Annual Report to shareholders", the entity is in further discussions regarding a number of funding options.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, as per 8.8.2 above.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: ..By the Board.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.