

ASX Announcement (ASX: NRZ)

Tuesday, 31 January 2023



Quarterly Report – December 2022

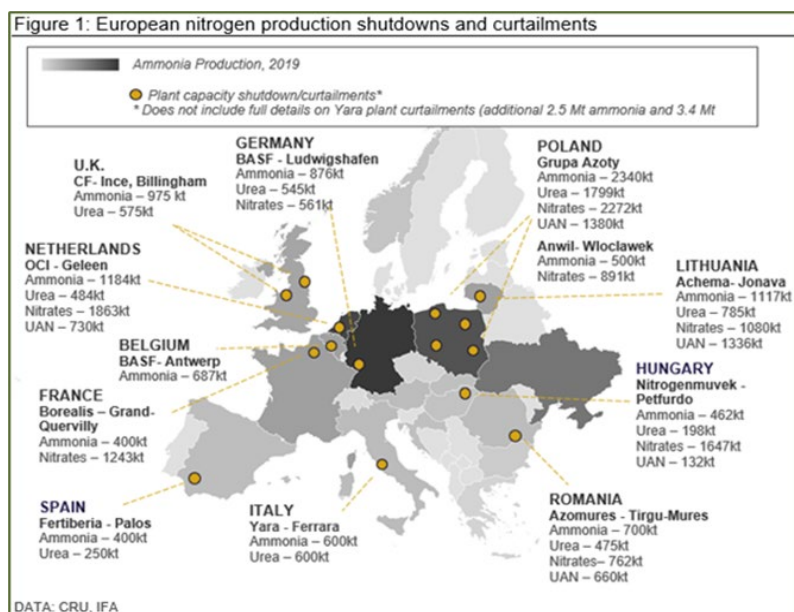
NeuRizer Ltd (ASX:NRZ) (“NeuRizer” or the “Company”) submits the following Activities Report and Quarterly Cash Flow Statement (refer attached Appendix 5B) for the quarter ending 31 December 2022 (“Q2 FY23”).

Highlights

- Urea Market Update
- BFS and Site development progress
- Research and Development Advance Finding allowing claimable expenditure to provide tax rebate
- S&P/ASX Agribusiness Index – NRZ inclusion
- Private Placement raising A\$3.76 million

Urea Market Update

The long-term global outlook for urea is positive with international developments confirming the opportunity for the NeuRizer Urea Project (“NRUP”) for both export and domestic distribution. In 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 (ammonia is required to manufacture urea in bulk supply). The impacts on European production are illustrated below.



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 gas feedstock supply;
- Persistent supply chain disruptions and backlogs due to the pandemic; and
- The Russian invasion of Ukraine and consequent effect on commodity supply and prices.

Urea is a critical input into agricultural production systems. With the closure of Incitec Pivot's Gibson Island manufacturing plant in Brisbane in December 2022, there is now no domestic urea manufacturing capability.

This 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.

Site Operations Update

NeuRizer's last quarter has delivered significant progress for its fully integrated gas, electricity, water, fertiliser and CO₂ sequestration project.

Feasibility study progress

- The Front End Engineering Design ("FEED") and the Bankable Feasibility Study ("BFS") are progressing as forecast (refer figures below providing illustrations taken from engineering work completed to date).
- The power package FEED is 100% complete and the contractor is progressing on modularisation 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 (i.e. not require grid power);
 - Does not put pressure on the state power network; and
 - 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 process commenced (refer Figures 6 -9 and photos 1-3 below).
- The Traffic Management Plan/Module route survey is finalised and modularisation and other constraints identified for analysis.
- Daelim are progressing their process of identifying potential Australian construction partners.

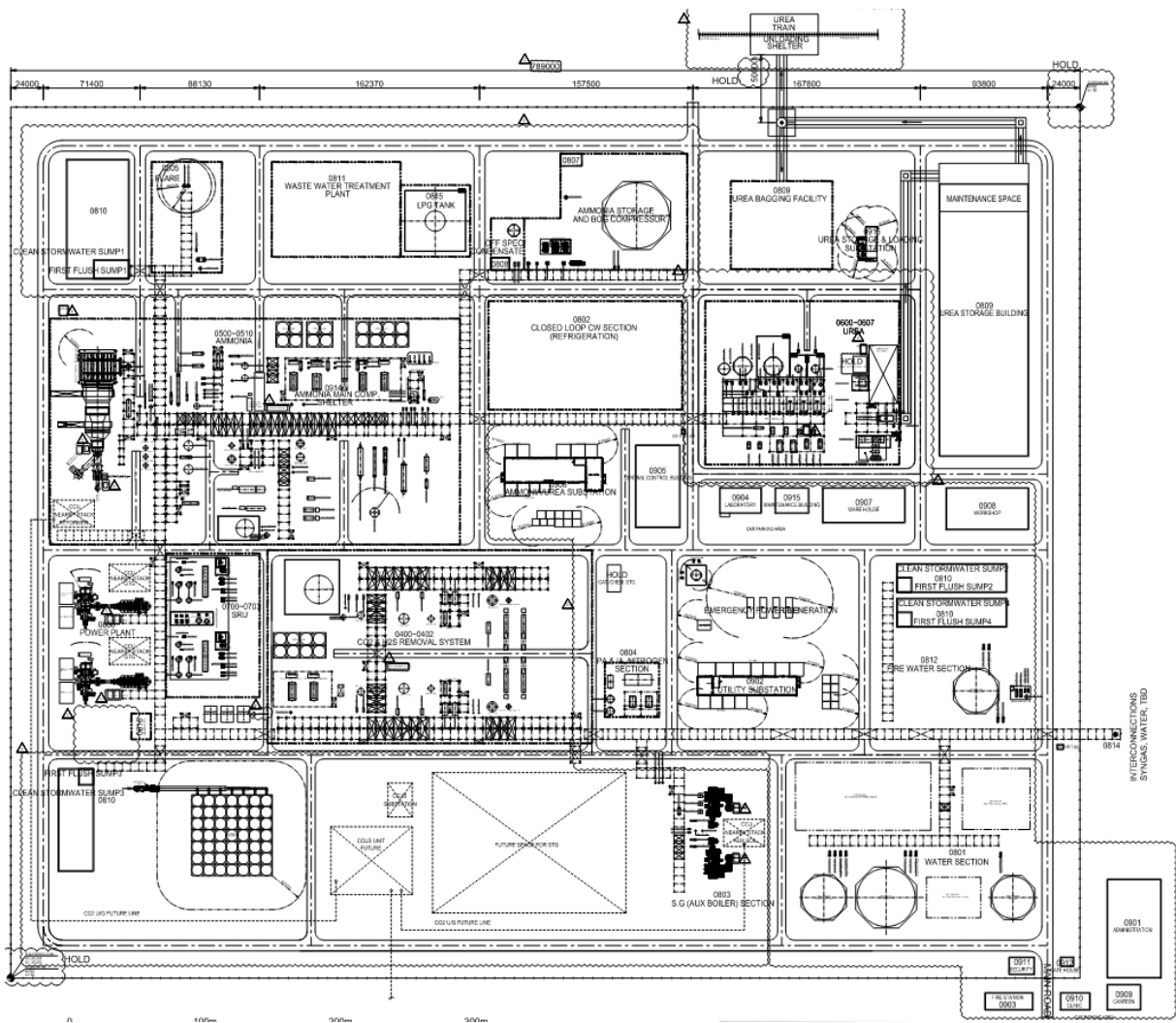


Figure 1: Conceptual UPP site layout overall plot plan

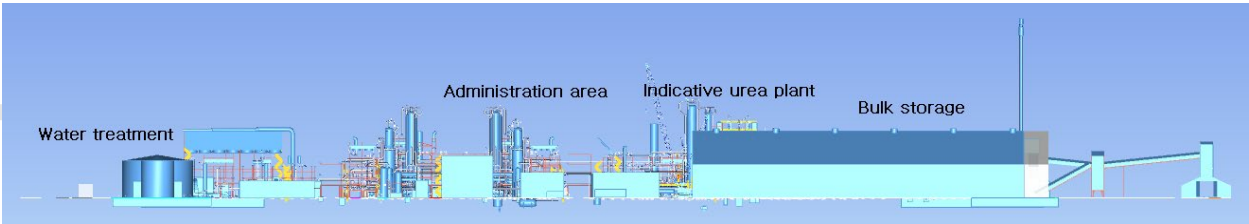


Figure 2: Conceptual eastern elevation

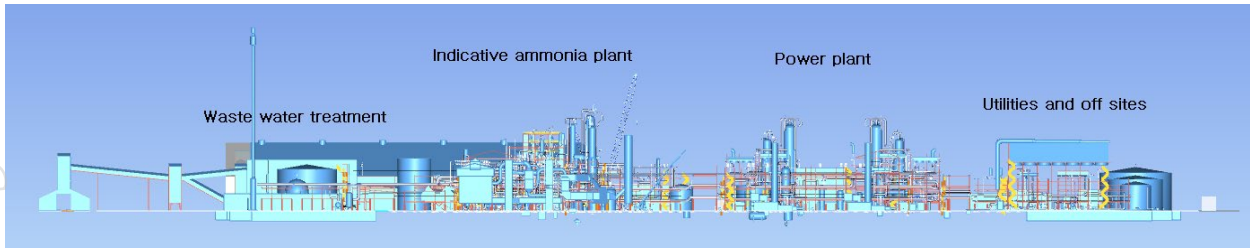


Figure 3: Conceptual western elevation



Figure 4: Conceptual northern elevation

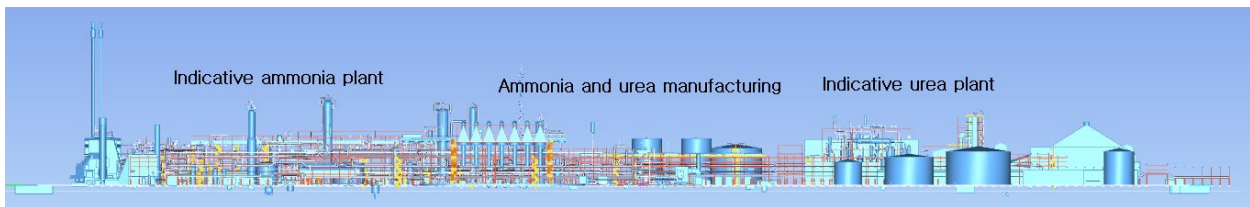


Figure 5: Conceptual southern elevation

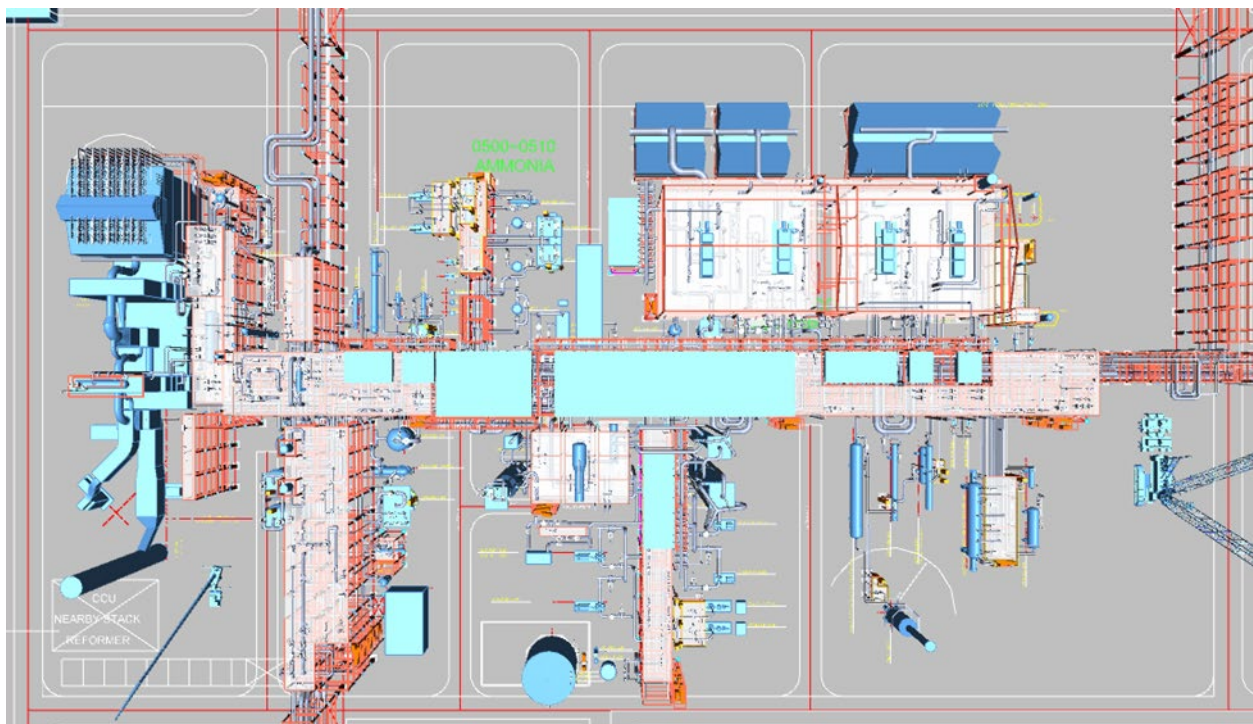


Figure 6: Aerial view of ammonia plant

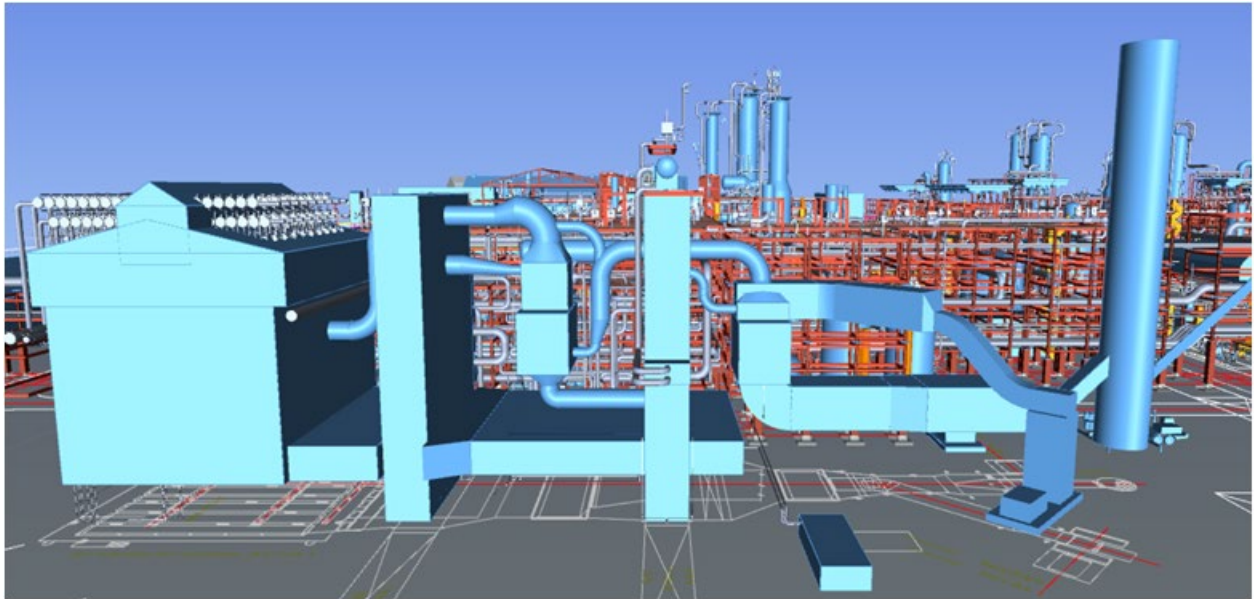


Figure 7: Western elevation of ammonia plant

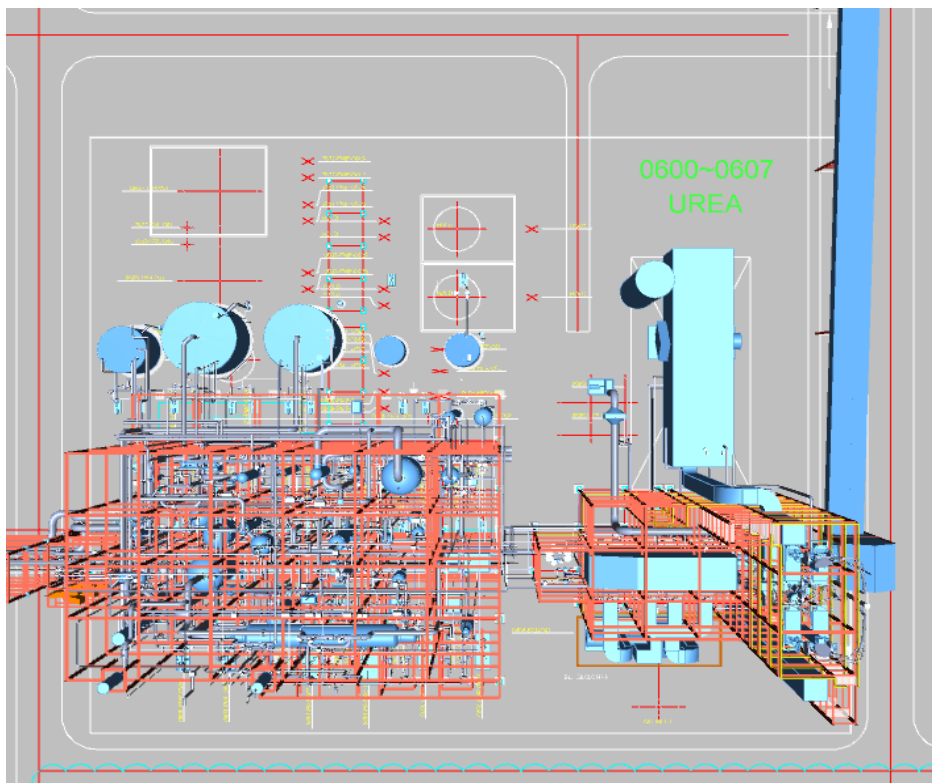


Figure 8: Aerial view of urea plant

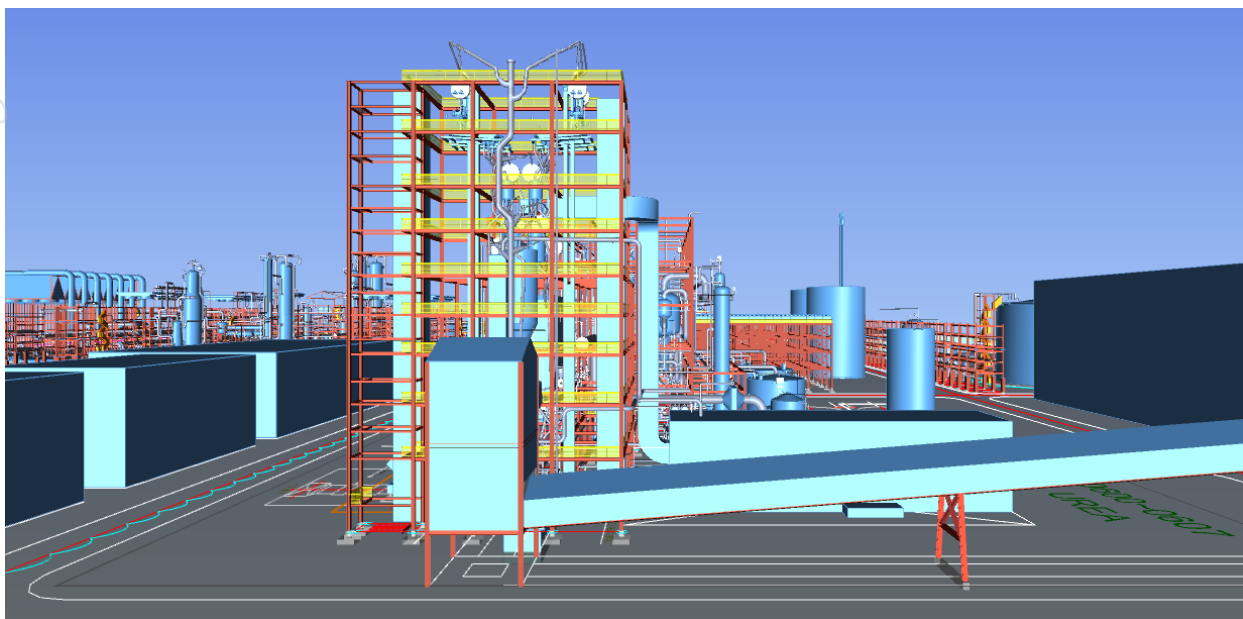


Figure 9: Eastern elevation of urea plan



Photo 1: Typical Stamicarbon Urea Plant reactor



Photo 2: Reference Belt Conveyor and Transfer Tower

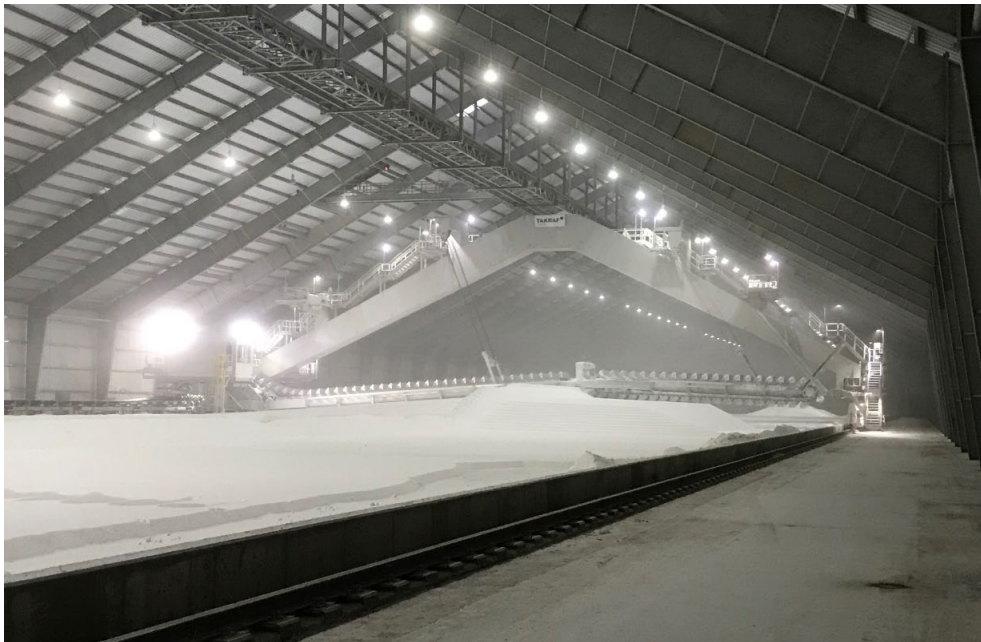


Photo 3 : Urea Storage Building

Upstream

- Approvals - approval process finalised - final public consultation planned for Q1 2023.
- Geotechnical investigation for foundations design finalised.
- 3D seismic campaign and subsequent investigation drilling have been finalised - this is the last stage required for gas field operations design (wells and gasifiers).
- 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.

Site Facilities

- Refurbishment of the buildings licensed to NeuRizer by the South Australian government (refer ASX announcement 20 June 2022) is progressing.
- Review and refurbishment of monitoring wells in process.
- Review and refurbishment of water production bores in process.

Supply chain

- Rail – following the South Australian government granting to NeuRizer an exclusive right to negotiate rail access between Leigh Creek and Port Augusta, NRZ is developing the business case for access to this rail corridor.
- Port – a process has begun to identify appropriate port facilities, and initial discussions with port facility owners and managers has begun, with the view to reaching agreement for NRZ access to port facilities.

Tax Rebate - Federal Government Advance Finding outcome

AusIndustry (the Federal Government agency responsible for administering federal government grants and tax incentive programs to support business growth and development in Australia) awarded NeuRizer a “Certificate of Advance Finding” for certain (eligible) activities related to Stage 1 of the NeuRizer Urea Project (NRUP).

This means that NeuRizer is eligible for tax rebates on expenditure related to NRUP development costs in financial years 2021/22, 2022/23 and 2023/24 at the rebate rate of 43.5% of expenditures.

Refunds are available following the lodgment of annual tax returns. NeuRizer anticipates its rebate for the 2021/22 financial year to be of the order of \$4.9m.

Over the 3 years of the certificate’s currency, NeuRizer anticipates rebates in the order of \$30.7m.

Stage 1 works include, amongst other things, design, management, and drilling of investigation, initiation, inlet and outlet wells.

S&P/ASX Agribusiness Index – NRZ inclusion

NeuRizer is pleased to announce its inclusion in the S&P/ASX Agribusiness Index resulting from the bi-annual November 2022 rebalancing of the Index by the index manager.

About the Index

In partnership with S&P Dow Jones Indices, in 2022 the ASX established the S&P/ASX Agribusiness Index ("the Index") to set a new benchmark for monitoring the performance of ASX-listed primary production companies.

The Index features 25 leading and emerging agribusiness companies across a range of sectors, representing companies involved in the primary production of agricultural products and the production of commodities used as inputs into primary production of agricultural products, such as:



Treasury Wine Estates Limited
Distillers & Vintners



The A2 Milk Company Limited
Packaged Foods & Meats



Nufarm Limited
Fertilizers & Agricultural Chemicals



Graincorp Limited
Food Distributors



Elders Limited
Agricultural Products



Costa Group Holdings Limited
Agricultural Products



Bega Cheese Limited
Packaged Foods & Meats



United Malt Group Limited
Packaged Foods & Meats



Rural Funds Group
Specialized REITs



Inghams Group Limited
Packaged Foods & Meats

In launching the Index, ASX Head of Strategic Delivery for Capital Markets, Ken Chapman said the AgBiz Index sets a new benchmark for monitoring the performance of primary production companies and the primary industry sector as a whole.

"The profile of the agribusiness sector is hampered by the absence of an index benchmark akin to mining, energy, banking, property, healthcare or technology," Mr Chapman said.

"The combination of accelerating climate risks, booming consumer demand, increasing complexity in geopolitical relations and supply chains, and exponential advances in technology is driving demand for capital in all stages in the value chain.

"By raising the profile of the sector, the AgBiz Index will increase investor understanding and interest, and be a critical ingredient in priming the market for the next phase of agricultural innovation."

"Through the Agribusiness Index, the ASX is bringing greater awareness to this vital sector. It will support agribusinesses to grow and prosper by enabling them to tap into one of the deepest pools of investment capital worldwide. It will also provide new and exciting opportunities for investors to gain exposure to this sector."

Features of the Index

The Index has a total market capitalization of over \$30 billion, with an average daily value traded of over \$105 million. The median market capitalisation is approximately \$570 million. The Top 10 companies in the Index represent 80 per cent of the total value of the Index.

The Index tracks the performance of agribusiness companies listed on the ASX, providing a quick way for investors to see the health of the sector, guiding financial firms in the creation of index funds and exchange-traded funds, and helping investors compare the performance of their investments.

For more information about the Index, see:

<https://www2.asx.com.au/agribusinessindexhttps://www.spglobal.com/spdji/en/indices/equity/sp-asx-agribusiness-index/#overview>

Finance & Corporate

The Company has held several important meetings with possible strategic partners and have progressed those discussions to the point where the due diligence process between the Company and those parties is being undertaken.

In addition, the Company has been in advanced discussions for both medium and long term funding for the NRUP.

In order to better match the Company's cash outflows to its inflows the Company is pursuing a number of cost saving initiatives in the short term. These will be supplemented by a transition from a fixed cost model to a variable cost model, thereby allowing the Company to better manage its necessarily uneven cash flow. These saving measures will not impact on the ability of the Company to meet its objectives, as the Company will continue to have access to the relevant expertise as required through consultants and particularly through its relationship with DL E&C Co. Ltd.

During the quarter, the Company completed a placement of 37,617,272 shares at an issue price of A\$0.10 per share, with a range of sophisticated and institutional investors, to raise \$3.76 million before costs.

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 Relations and Media Enquiries

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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 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 and, to a lesser extent, the industrial sector where urea is used as a supply input (eg. diesel additive (AdBlue), industrial resins, etc.) 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 (2,000+ construction jobs plus 2,450 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 CO₂) for low carbon urea production on-site, meaning NRZ will control both supply and price of these major cost inputs, regardless of prevailing market conditions and supply chain dynamics.

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 CO₂ footprint, we are asking all our shareholders to provide an email address to receive their communication online. This assists NeuRizer achieving a lower CO₂ footprint and contributes to global target in line with the Paris Agreement.

Please go to: 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")

December 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | | |
| (b) development | | |
| (c) production | | |
| (d) staff costs | (1,361) | (2,848) |
| (e) administration and corporate costs | (1,990) | (2,748) |
| 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 | | |
| 1.9 Net cash from / (used in) operating activities | (3,351) | (5,596) |

| | | |
|--|---------|----------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) tenements | | |
| (c) property, plant and equipment | - | (122) |
| (d) exploration & evaluation | (4,161) | (19,602) |
| (e) investments | | |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 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 |
| 2.6 | Net cash from / (used in) investing activities | (4,161) | (19,194) |

| | | | |
|-------------|---|--------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 3,792 | 22,037 |
| 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 | (240) | (375) |
| 3.5 | Proceeds from borrowings | 3,313 | 3,313 |
| 3.6 | Repayment of borrowings | (6) | (10) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | 6,859 | 24,965 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,271 | 443 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (3,351) | (5,596) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (4,161) | (19,194) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 6,859 | 24,965 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 618 | 618 |

| 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 | 618 | 1,271 |
| 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) | 618 | 1,271 |

| 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 | 640 |
| 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>Explanation:</p> <p>Executive and Non-Executive Directors fees.</p> | | |

| | | |
|--|-----------------------------------|--------|
| 7. Financing facilities | | |
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 | Loan facilities | |
| 7.2 | Credit standby arrangements | |
| 7.3 | Other (please specify) | 20,000 |
| 7.4 | Total financing facilities | 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) | (3,351) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (4,161) |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (7,513) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 618 |
| 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) | 5,618 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 0.75 |
| <i>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.</i> | |
| 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? | |
| ○ No. To ensure that the interim funding requirements, NeuRizer will undertake several cost reduction initiatives. These will significantly reduce monthly costs. | |

- 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?

As per ASX announcement 22 December 2022 NRZ has obtained R&D advanced finding approval for a total expenditure of over \$70m. Application for R&D rebate for the FY 2021/22 has been submitted and a refund of approximately \$5m is expected on submission of the FY2021/22 tax return.

The entity is also engaged in further discussions regarding a number of additional funding options.

- 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 8.8.1 and 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 January 2023

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.