

ASX Announcement (ASX: NRZ)

Friday, 28 July 2023



QUARTERLY REPORT – JUNE 2023

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 30 June 2023.

Highlights

- **Hydrogen Joint Venture - initial announcement and significant progress already made**
- **Private Placement (at a premium to share price) to Non-Executive Director**
- **Commonwealth Government R&D Rebates**
- **Operations Update/Update on FEED and BFS progress**
- **Downstream Approvals progress**
- **NeuRizer Marketing**

NRZ to produce Hydrogen in China

NeuRizer signed an agreement (refer ASX announcement 1 June 2023) with Meijin Energy Investment (Hainan) Co., Ltd. (MEI) to produce hydrogen in China through in situ gasification (ISG). MEI is a subsidiary of the Meijin Group which is **the largest integrated hydrogen company in China** and which already constructs hydrogen vehicles, hydrogen fuel cells and is the owner of hydrogen charging stations.

This agreement provides NeuRizer with a major advantage in meeting the needs of a developing hydrogen fuel market in China, which is the world’s largest producer of hydrogen. China produces approximately 25% (or 25 million tonnes) of hydrogen each year.

NeuRizer successfully produced significant quantities of hydrogen at a low production cost (less than \$1/kilogram) during its pre commercial demonstration of in situ gasification technology at Leigh Creek, in northern South Australia, during 2019.

A summary of the initial 2-year agreement with MEI provides NeuRizer with:

1. US\$25 million license fee (per site)
2. Hydrogen produced through the joint venture to be sold to and used in MEI’s current hydrogen operations
3. NeuRizer to provide assessment of 2 sites owned by MEI
4. NeuRizer and MEI to enter a joint venture agreement to develop the sites, with NeuRizer having the option to become the operator of the sites, and participate as an equity partner the hydrogen production projects in China

5. MEI will fund site suitability assessments and demonstration operations
6. Excess hydrogen produced from the projects can be traded through MEI's joint venture hydrogen trading platform recently established in Shanghai, China, in April 2023.

Significant Progress with Hydrogen Project in China

NeuRizer Chief Operating Officer recently visited China (see ASX announcement 27 July 2023), where significant progress was made in progressing NeuRizer's joint venture to produce hydrogen in China and Mongolia.

- Two sites have been identified for ISG and hydrogen production
- The Commercialisation pathway for hydrogen production has been identified
- Development of hydrogen projects is being fast tracked



NeuRizer COO Cristian Bolda (centre) and NeuRizer Non-Executive Director Zhe Wang with Meijin Chief Financial Officer Jianhua Zhang inspecting Meijin hydrogen trucks and refuelling station



Membrane electrode- core accessories of hydrogen vehicle engine

Private Share Placement to NeuRizer Non-Executive Director

NeuRizer announced (see ASX announcement 10 May 2023) that it had completed a placement of approximately 14.3 million shares to non-executive director Mr Zhe Wang, at a premium to the current share price at the time, for \$0.07 per share, raising \$1.0 million.

Research and Development Advance Finding

NeuRizer announced on the 25th of May 2023 that it had secured an additional \$1.5 million against its “Certificate for Advance Finding” from AusIndustry (refer ASX announcement 22 December 2022), bringing the total cash rebate received this financial year to \$5.5 million.

The Advanced Finding relates to estimated eligible expenditure of \$70.7m to be incurred on Stage 1 of the NeuRizer Urea Project, which entitles NeuRizer to a refundable tax offset, or cash rebate at the rate of 43.5% of costs incurred. This equates to an approximate \$30.8m rebate.

Operations Update

NeuRizer’s last quarter has continued to deliver progress for its fully integrated gas, electricity, water, and fertiliser project.

Feasibility study progress

BFS was progressed during the quarter with EPC contractor DL E&C having completed various engineering and project deliverables and continuing to develop Urea Processing Plant (UPP) project CAPEX.

The value engineering opportunities identified in the previous quarter and to be incorporated in the BFS, are currently being finalised.

Downstream (Ammonia and Urea plant)

NRUP EIS development is ongoing with various technical studies and project specific environmental management plans underway demonstrating consideration of all final assessment requirements.

NeuRizer achieves major milestone in assessment process for the NRUP

A significant milestone in the above ground (downstream) approval process for Stage 2 of the NeuRizer Urea Project (“NRUP”) has been achieved.

The State Planning Commission (the Commission) has publicly released the final Assessment Requirements for the downstream component of NRUP.

- This will enable the preparation of an Environmental Impact Statement (EIS).
- The scope of the assessment is for an initial production of 1 million tonnes of Urea fertiliser per year, although this can be expanded with a second train.
- The NRUP is in a group of only sixteen other projects of State significance listed on the PlanSA website with Impact Assessed Development status.
- The Stage 2 NRUP EIS, together with technical assessments and supporting documentation are expected to be lodged in late 2023.

The Commonwealth Department of Climate Change, Energy, the Environment and Water advised NeuRizer on 25 July 2023 that it has published information regarding Stage 1 of NRUP on its website for a 10-day public consultation period.

NeuRizer Marketing

During the quarter, NeuRizer Executive Chairman, Justyn Peters, provided shareholders and the market with recorded updates (refer <https://neurizer.com.au/news/>), where he covered the following topics:

- Update on progress with strategic partner negotiations
- Recent NRZ share price and trading performance
- NRZ near and medium term cash position as a result of recent Non-Executive Director placement, and receipt of tax rebate funds
- Recent development in NRZ partnership with Chinese partners, particularly NRZ potential involvement in China's rapidly maturing hydrogen markets
- Updates regarding progress with FEED and BFS completion

Media reporting on Fertiliser in Australia

It is interesting to note recent speculation in the Australian Financial Review (AFR) on foreign interest in the acquisition of an Australian fertiliser business. In that discussion the AFR also raised the issue of fertiliser being an important part of Australia's food security, something that NRZ has highlighted in our prior presentations. In addition, the number of non-Australian companies that are interested in both the Australian market and export potential is a conversation we have had with many foreign companies. As we have also previously stated, we are also in discussion with several foreign companies and those discussions are coming to a final conclusion and we look forward to updating the market on that progress.

Finance and 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.

During the quarter, the company completed a placement of 14.28 million shares at an issue price of A\$0.07 per share, with a range of sophisticated and institutional investors, to raise \$1.0 million. There were no transaction costs associated with this placement (refer announcement 10 May 2023).

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 NeuRizer 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 Ltd (NeuRizer) 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.

NeuRizer 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.



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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

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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")

June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(818)	(5,418)
	(e) administration and corporate costs	(277)	(3,637)
1.3	Dividends received (see note 3)		
1.4	Interest received	6	7
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	(1,089)	(9,048)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(40)	(162)
	(d) exploration & evaluation	(2,130)	(25,109)
	(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 (12 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:		
	(a) movements in long-term bank deposits	-	530
	(b) R&D rebates received	5,529	5,529
2.6	Net cash from / (used in) investing activities	3,359	(19,212)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	24,382
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	(184)	(597)
3.5	Proceeds from borrowings	2,162	9,665
3.6	Repayment of borrowings	(4,204)	(4,423)
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	(1,226)	29,027

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	166	443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,089)	(9,048)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,359	(19,212)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,226)	29,027
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,210	1,210

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	1,210	166
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)	1,210	166

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	455
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>		

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 June 2023.

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

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

(1,089)

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

(2,130)

8.3 Total relevant outgoings (item 8.1 + item 8.2)

(3,219)

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

1,210

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)

6,210

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

1.93

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?

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?

The entity is in discussions regarding a number of funding options, primarily focused on convertible notes and a strategic partnership.

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: 28 July 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.