

ASX Announcement (ASX: NRZ)

21 February 2024



Update on status of Final Feasibility Study

NeuRizer Ltd (NRZ or the Company) provides the following update in relation to the status of the Final Feasibility Study and basis for contracting engineering, procurement, construction and commissioning of the NRUP. Whilst the matters below are incomplete, NRZ makes this announcement as the information would have otherwise been included in a cleansing notice that NRZ will issue this week.

After discussions with DL E&C, following the issue of what, from NRZ's perspective, was an unsatisfactory "feasibility study report" (though no fault of DL E&C) for the NRUP (DL Report) has resulted in agreement in principle being reached to change the manner of contracting for the project, resulting in further work being required to be undertaken in order for a satisfactory feasibility study to be prepared.

It has been agreed in principle between DL E&C and NRZ that the contract for the NRUP will be broken into two parts, being an engineering and procurement contract (likely to be awarded to DL E&C if agreement as to cost is reached and a final investment decision is taken) and a construction and commissioning contract likely to be directly between NRZ and a construction company of NRZ's choosing, following a competitive bidding process. DL E&C has agreed to provide NRZ with all material in its possession that may assist NRZ with this process, including certified quantities. Assuming a formal agreement is reached that reflects the foregoing, NRZ believes that this approach will significantly reduce the overall cost of the project and render it more demonstrably viable than under the cost estimates on which the DL Report was based.

NRZ is comfortable that DL E&C's (as a global reputable EPC contractor) cost estimation on the engineering and procurement component of the study is accurate and reliable with regards to the CAPEX which is based on DL E&C's global sourcing network and experience, however, construction and commissioning component needs to be optimized further as DL E&C has no direct experience in construction costs in the Australian market. In this respect, DL E&C and NRZ agreed to conduct additional cost optimization for construction and commissioning with direct open bidding to be managed directly by NRZ with a 3rd party independent consultant firm.

It has also been agreed that the project will now proceed on the basis that the power for the project will come from the South Australian electricity grid rather than a syngas fired power station constructed as part of the project. The capital and operating cost of grid power and how it may be funded is the subject matter of on-

going discussion between relevant parties. Resolution of the cost and means of funding the grid connection will give greater certainty to the revised feasibility study report.

DL E&C and NRZ are yet to reach agreement on the period of time to be allowed for the obtaining of competitive pricing for the construction and commissioning of the project but both parties are hopeful of 2 to 3 months, resulting in the issue of a revised final feasibility study report reflecting the revised project delivery methodology and costing. There is no certainty that a formal agreement will be reached reflecting the above matters but each party is actively working to that end.

The discussions between DL E&C and NRZ have also included further discussion of the means by which NRZ will be able to pay DL E&C the amount now outstanding of approximately US\$20 million plus interest currently running at the Term SOFR rate from month to month plus 3%. This has included, in addition to matters previously put to DL E&C, a possible early urea distribution arrangement between NRZ and reputable international trader where the parties are discussing the purchase and resale of a substantial initial shipment of urea, which would be profitable for both parties. Should this initial shipment be agreed to and procured a further similar shipment may follow before June. These discussions are at an early stage and a formal agreement may not eventuate. NRZ has advised DL E&C that should a distribution agreement be reached which has the outcome contemplated above, and NRZ secures profit from such business, NRZ will prioritize its payment obligation towards DL E&C other than salary and wages, ongoing day to day corporate and operational cost, the continuation of business costs and statutory obligations.

NRZ has also advised DL E&C that once a satisfactory feasibility study is available NRZ's present intention is to pursue funding for the NRUP with 70% debt funding assumed and the remaining 30% to be raised by NRZ through a strategic partner, mezzanine financing or the sale of a royalty over future sales of urea or a combination of all three possibly augmented by a capital raising. The total cost of the NRUP (and the amount to be funded) will not be known until a satisfactory feasibility study report is completed following the competitive pricing of the construction and commissioning component of the project.

The NRZ Executive Chairman has authorised this announcement for release to the ASX.

Further Information

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