

18 November 2024

ASX Compliance

By email: ListingsComplianceSydney@asx.com.au

To Whom It May Concern,

Response to NeuRizer Ltd (“NRZ”) Annual Report Query Letter

We refer to the Query Letter by the Australian Securities Exchange dated 15 November 2024.

In response to the specific questions of the query and using the same numbering:

1.
 - 1.1. The delay in the lodgment of the NeuRizer Ltd (“Company”) Annual Report was due to Ernst & Young’s (“Auditor”) considerations regarding the Company’s ability to continue as a going concern and the specific implications and possible outcomes of the ongoing contractual negotiations with DL E&C along with the necessary disclosures in the Company’s Going Concern note on pages 37 to 39 of the Annual Report. The Auditor’s specific questions for the Company arose from the request by DL E&C for the Company to enter into a third deferred payment agreement and the implications of the Company not entering into this agreement by the requested due date. This included obtaining a full understanding of any process of dispute should DL E&C demand immediate payment of the liabilities, understanding the nature and correspondence between DL E&C and the Company and acknowledging that the parties were still actively negotiating the best pathway forward.
 - 1.2. The Company provided its confidential legal advice and the quantity surveyor’s report to the Auditor detailing the dispute process available to the Company under its contract with DL E&C, along with advice on the Company’s grounds for dispute.
2. NRZ has not entered into a third deferred payment agreement with DL E&C.
3. Not applicable.
4.
 - 4.1. Since the date of the previous deferred payment agreement with DL E&C, NRZ has been seeking advice from a quantity surveyor on the construction component of the EPC contract, work previously undertaken by DL E&C. The work undertaken by the quantity surveyor instigated NRZ to review the amount owing to DL E&C and obtain legal advice.
 - 4.2. NRZ is now continuing its negotiations with DL E&C in light of this work undertaken by NRZ, and no outcome has been reached with DL E&C. NRZ is looking to find an outcome favourable to both parties but is not willing to compromise any of its options until an agreement is reached. Both parties have expressed a strong willingness to come to an agreement on the outstanding issues.

- 4.3. NRZ has not made a decision on whether it will formally dispute the outstanding liabilities, whether wholly or in part, as the Company is still in discussion with DL E&C.
5. Yes.
- 6.
- 6.1. The Going Concern note carefully outlines the necessary factors for NRZ to have sufficient cash to continue as a going concern. A material uncertainty statement in an Auditors' report does not equate to an inadequate financial condition for continued quotation, and it is noted that this material uncertainty was also in the reports for the 2021, 2022, and 2023 years. NRZ has short-term funding plans, as identified in 6.3 and 6.4 below, and is working to adequately resolve its liabilities in relation to the stage 2 contract with DL E&C as per question 4.
- 6.2. NRZ notes that if the issues progress to a dispute, there is an arbitration process within the contract with DL E&C. NRZ also has other legal avenues available to it should DL E&C choose to call in the debt through a statutory demand or regular legal proceedings. These options include seeking the statutory demand to be set aside or defending the proceedings in court.
- 6.3. As outlined in the Company's recent Appendix 5B, released on 31 October 2024, the Company continues to look for ways to reduce its cash outflows and intends to raise further capital as and when required. The Company is currently working towards a short-term capital raise, however, progress on this has been stalled while the Company's securities are in suspension. The Company expects to be able to finalise these discussions once its securities are trading again.
- 6.4. As per 6.3 above, the Company is in active discussions with several potential investors, and it has confidence that these will be successful shortly after the Company's securities are once again trading. Following this, the Company considers that it will be able to raise small amounts of equity as and when they fall due, until matters with DL E&C are resolved, and/or strategic transactions are completed, that are expected to generate revenue and positive cash flows for the Company. Further details can be found in the Company's Annual Report.
7. Not applicable.
8. The NRZ Board considers that there are reasonable grounds to believe that NRZ will be able to pay its debts as and when they become due and payable. In the short term, the Company expects to be able to complete capital raising as per 6.3 and 6.4 above. Regarding the longer-term amounts owed to DL E&C, the Company will either come to a commercial agreement with DL E&C that is acceptable to both parties or will pursue the various legal options available to it.
- 9.
- 9.1. NRZ considers its level of operations sufficient and provides the following information regarding the nature and extent of NRZ's current business activities.
- NRZ's principal activity for the year was advancing the development of the NeuRizer Urea Project ("NRUP"), and the Company continues to progress with its commercialisation plans. The NRUP is an

in-situ gasification to urea project that is planned to be conducted and commercialised on the Company's petroleum tenements. As per note 8 on page 39 of the Annual Report, NRZ capitalised \$1,777,171 towards Exploration and Evaluation on the NRUP in the last financial year. Full details on the Company's operating activities can also be found on page 9 of the Annual Report.

Over the life of the project NRZ has met numerous important milestones in progressing the project and has steadily moved forward with its business plan. These include the following:

- Obtaining a JORC resource and a PRMS reserve (see announcements dated 8/12/2015 and 8/1/2021).
- Obtaining the necessary approvals to conduct a demonstration plant (see announcement dated 3/9/2018).
- Engineered, constructed, operated and decommissioned the demonstration plant utilising the ISG process (see announcement dated 25/6/2019).
- As a result of the demonstration process, NRZ obtained a Petroleum Production Licence (see announcement dated 25/11/2020).
- Worked through the Stage 1 commercial process to progress the approval pathway.
- Engaged an EPCC contractor with the experience and skills to engineer, procure, construct and commission Stage 2 of the NRUP (see announcement dated 1/7/2021).
- Obtained indicative interest in funding the NRUP and two expressions of interest to fund the NRUP once FID is finalised.
- Secured two offtake agreements (one a binding take or pay) (See announcements dated 30/11/2021 and 6/2/2024).
- Lodged ISG patent applications (see announcement dated 9/2/2022).

In the past financial year, relating to the capitalised Exploration and Evaluation expenditure, along with subsequent events NRZ has:

- Continued site activities including water monitoring, emergency and safety planning, and maintaining and improving infrastructure such as site offices.
- Engaged a third party to complete a comprehensive environmental decommissioning report for the South Australian Government for the completion of the demonstration plant.
- Maintained communication with the Federal Department of Climate Change, Energy, the Environment and Water on the draft terms of reference for the Environmental Impact Statement ("EIS") for Stage 1 of the NRUP and provided a submission once it was available.
- Continued negotiations with DL E&C on Stage 2 of the NRUP and engaged a quantity surveyor to undertake a costings review for the construction of the Urea and Ammonia plant. Continued BFS and FEED document reviews.

- Sought expressions of interest and waiting for responses on construction quotes for Stage 2 of the NRUP.
- Sought and obtained turnkey pricing for the construction of a gas-fired power plant at Leigh Creek for Stage 2 of the NRUP.

Secondary to the NRUP, the Company has and continues to investigate other ISG-related coal deposits and the potential and various commercial opportunities for the Company to replicate its process on other deposits.

9.2. Yes, NRZ provided comments to the Federal Department of Climate Change, Energy, the Environment and Water for the EIS on Stage 1 of the NRUP. The draft terms of reference were in line with the Company's expectations. The vast majority of data needed to respond to the terms of reference has already been obtained by NRZ in its process of responding to the South Australian Government Environmental Impact Report process and in the information provided to the Federal Department of Climate Change, Energy, the Environment and Water in the controlled action submission.

The Company will progress the EIS internally, and where required, it will re-engage consultants. Internally, this process will be managed by the Executive Chairman, who has an extensive background in environmental law, alongside the Company's Operations Manager and Principal Geologist.

9.3. The Company provides the following shorter-term plans for NRZ to progress the NRUP.

As per 9.2 above, after waiting for 10 months, the Company only recently received the draft terms of reference for the EIS. Upon receiving the final terms of reference, the Company will progress the EIS and plans to submit this to the Federal Department of Climate Change, Energy, the Environment and Water as soon as possible. Management is working through the timelines of this process as timelines are under the control of the Federal Department of Climate Change, Energy, the Environment and Water. The Company has already submitted its Environmental Impact Report and Activity Notification with the State Government for Stage 1, which can be concluded once the EIS process is completed.

The Company is simultaneously working through several funding options for Stage 1 of the project and is ready to scale up our operational team once Stage 1 approvals are ascertained.

At the same time, the Company plans to progress its Stage 2 work through the resolution of matters with DL E&C.

Whilst the Company has made considerable cost-cutting measures to manage its short-term cash flows, it maintains the relevant expertise to progress the NRUP and be in a position to scale up its team as and when required. The Company currently employs personnel with extensive experience at both the practical and executive levels in construction, contracts, engineering, geology, and environmental science, as well as its corporate finance, accounting, and legal functions. The Company has input from its largest shareholders, who hold positions on the Company's board and have experience in the building and operation of gasification, ammonia and urea plants. The Company will also seek external advice as and when required, and it has shown that it can do this from reputable third-party providers.

10. NeuRizer Ltd confirms that it is in compliance with the ASX listing rules and, in particular, with listing rule 3.1.
11. The Company confirms that this letter has been approved by the NeuRizer Ltd Board.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'JP' or 'Justyn Peters', written in a cursive style.

Justyn Peters
Executive Chairman



15 November 2024

Reference: 103309

Mr Nicholas Peters
Financial Controller
NeuRizer Ltd
Level 5
19 Grenfell Street
Adelaide SA 5000

By email:

Dear Mr Peters

NeuRizer Ltd ('NRZ'): Annual Report - Query

ASX refers to the following:

- A. The suspension of NRZ's securities from quotation under Listing Rule 17.5 from the commencement of trading on 1 October 2024 by reason of NRZ not lodging its financial report, directors' report and auditor's report for the year ended 30 June 2024 by the due date of 30 September 2024.
- B. NRZ's Annual Report (including its financial report, directors' report and auditor's report) for the year ended 30 June 2024 released on the ASX Market Announcements Platform ("MAP") on 28 October 2024 ('Annual Report'), which disclosed (relevantly) the following results for the year:
- 1.1 a net loss of \$5,603,806;
 - 1.2 net cash outflows from operating and investing activities of \$2,733,739; and
 - 1.3 current liabilities exceeding current assets by \$53,959,208.
- C. The following statement in the independent auditor's report included in the Annual Report ('Auditor's Report'):

"Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

- D. Various disclosures in the Directors' Report included in the Annual Report relating to amounts owing to DL E&C Co. Ltd ('DL E&C'), including (relevantly) the following:

"RISK MANAGEMENT

...

<i>Risk Category</i>	<i>Details</i>	<i>Mitigation Strategies</i>
<i>Financial Risks</i>	<i>Funding of the EPCC and amounts owing to DL E&C: Substantial funding is required to fulfil obligations under the Engineering, Procurement, Construction, and Commissioning</i>	<i>Active pursuit of strategic transactions to generate cash flow and meet obligations.</i>

	<p><i>(EPCC) contract with DL E&C Co Ltd (DL), with amounts outstanding on both the Services Fee payable to DL and on the Licensor Fees payable to DL in relation to the ammonia and urea licensors being appointed to deliver the Basic Engineering Design Package (BEDP) and Final Piping and Instrumentation Design for the NRUP.</i></p> <p><i>At 30 June 2024, USD 19,334,130/AUD 29,187,999 was recognised in Trade Creditors, and USD 14,960,634/AUD 22,585,499 was recognised in Accrued Liabilities in respect of amounts owing to DL.</i></p> <p><i>In accordance with Group's announcement on 5 February 2024, DL E&C Co Ltd confirmed via written correspondence to NRZ that the Group is not deemed to be in default in respect of the trade creditors balances outstanding (see Note 21), and NRZ will accrue interest on the amounts due after 31 January 2024 at the Secured Overnight Financing Rate + 3% Annual Rates. Interest will accrue at this rate whilst NRZ continues discussions on several strategic transactions that are expected to enable the Group to generate revenue and positive cash flows.</i></p> <p><i>In September 2024, the Company received a request for a further deferred payment agreement with the same interest terms as above, however, with a specific payment schedule and terms required to resolve repayment of the outstanding amounts. It was requested that this agreement be finalised by the end of October 2024. At the date of this report, no payment arrangement has been reached and the deferred payment agreement remains unsigned, and this has been acknowledged by DL.</i></p> <p><i>Notwithstanding verbal communications have indicated that DL E&C wish to continue discussions with NeuRizer to resolve outstanding matters (and they acknowledge the third deferred payment agreement remains unsigned and outstanding), DL E&C retain the right to call the debt at any time.</i></p> <p><i>NeuRizer believe ongoing negotiations under the contract will continue, and, in the event that DL E&C choose to immediately call the amounts</i></p>	<p><i>Ongoing negotiations regarding amounts owed, including reviewing the findings from the independent Quantity Surveyor report. This report has provided insights into potential cost discrepancies, which the Group is sing to engage in constructive dialogue aimed at potentially revisiting or renegotiating the amounts payable.</i></p> <p><i>While the Group remains focused on negotiations, it is reviewing its dispute resolution options. The process is viewed as a step towards reaching a mutual resolution, should it not be resolved through dialogue.</i></p>
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	<p><i>owing, NeuRizer consider there are mechanisms available to it under the contract to challenge and propose alternate courses of action.</i></p> <p><i>Uncertainty in resolution of matters outstanding with DL E&C and consequential potential litigation could adversely affect progress on the NRUP and could lead to circumstances where the Group is no longer a going concern."</i></p>	
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- E. NRZ's Quarterly Appendix 5B Cash Flow Report for the quarter ended 30 September 2024 ('Quarterly Cash Flow Report') released on MAP on 31 October 2024, which disclosed the following:
- 1.1 nil cash receipts from customers;
 - 1.2 net cash outflows from operating activities of \$996,000;
 - 1.3 cash and cash equivalents of \$660,000 as at 30 September 2024; and
 - 1.4 an estimated 0.48 quarters funding available as at 30 September 2024.
- F. Recent discussions and correspondence between ASX and NRZ, in which NRZ advised ASX that the reason for the delay in the lodgement of the Annual Report was the need to obtain and provide further information to address concerns raised by Ernst & Young ('EY') before EY would provide its Auditor's Report on NRZ's financial report for the year ended 30 June 2024.
- G. The continuation of the suspension of NRZ's securities from quotation on 29 October 2024 under Listing Rule 17.3 until ASX is satisfied that NRZ is in compliance with the Listing Rules, including Listing Rule 12.2, and that it is otherwise appropriate for NRZ's securities to be reinstated to quotation.
- H. Listing Rule 12.1 which states:
- "12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing."*
- I. Listing Rule 12.2 which states:
- "12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing."*

Request for information

In light of the information contained in the Annual Report and Quarterly Cash Flow Report, and the application of the Listing Rules stated above, ASX asks NRZ to respond separately to each of the following questions and requests for information:

Annual Report

1. Please provide details of each of the following:
 - 1.1 the specific concerns raised by EY that led to the delay in the lodgement of the Annual Report with ASX (past the due date of 30 September 2024); and
 - 1.2 the specific evidence that NRZ provided to EY to address the concerns referred to in response to question 1.1?

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2. Noting the disclosure in the Annual Report that NRZ received a request from DL E&C in September 2024 for finalisation by the end of October 2024 of a third deferred payment agreement (paragraph D above), with a specific payment schedule and terms required to resolve repayment of the outstanding amounts, please advise whether NRZ has entered into a further deferred payment agreement with DL E&C?
 3. If the answer to question 2 is “yes”, what are the terms of the third deferred payment agreement?
 4. If the answer to question 2 is “no”, please:
 - 4.1 explain why a further deferred payment agreement has not been finalised;
 - 4.2 provide details of the status of discussions with DL E&C in relation to repayment of the outstanding amounts; and
 - 4.3 advise whether NRZ disputes the amount of the outstanding liabilities (whether wholly or in part)? If so, please advise how NRZ intends to seek to resolve the dispute?

Financial Condition

5. Does NRZ consider that its financial condition is adequate to warrant continued quotation of its securities and its continued listing on ASX as required under Listing Rule 12.2?
6. If the answer to question 5 is yes, please explain the basis for that view and also comment specifically on each of the following:
 - 6.1 the independent Auditor’s Report containing a material uncertainty paragraph regarding going concern (paragraph C above);
 - 6.2 any mechanisms available to NRZ under the Engineering, Procurement, Construction and Commissioning (‘EPCC’) contract with DL E&C in the event that DL E&C chooses to immediately call the outstanding amounts owed by NRZ to DL E&C under the EPCC contract;
 - 6.3 the estimated quarters funded of 0.48 disclosed in NRZ’s Quarterly Cash Flow Report; and
 - 6.4 whether NRZ has taken any steps, or proposes to take any steps, to raise further cash to fund its operations and, if so, what these steps may involve and how likely it considers that any such capital raising initiatives will be successful.
7. If the answer to question 5 is no, please explain what steps NRZ has taken, or proposes to take, to demonstrate to ASX’s satisfaction that NRZ complies with Listing Rule 12.2.
8. Does NRZ’s board consider that there are reasonable grounds to believe that NRZ will be able to pay its debts as and when they become due and payable? Please explain the basis for that view.

Level of Operations

9. Does NRZ consider that its level of operations is sufficient to warrant continued quotation of its securities and its continued listing on ASX as required under Listing Rule 12.1? Please explain the basis for that view, and also provide detailed comments on each of the following:
 - 9.1 the nature and extent of NRZ’s current business activities;
 - 9.2 whether NRZ provided comments by 8 November 2024 on the draft guidelines published by the Federal Department of Climate Change, Energy, the Environment and Water for an Environmental Impact Statement on Stage 1 of the NeuRizer Urea Project;
 - 9.3 the nature and level of activities NRZ intends to conduct for advancing Stages 1 and 2 of the NeuRizer Urea Project in the near term.
10. Please confirm that NRZ is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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18. Please confirm that NRZ's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NRZ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEDT Friday, 22 November 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NRZ's obligation is to disclose the information 'immediately'.

Your response should be sent by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to NRZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that NRZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours sincerely

ASX Compliance