

See key risks on page 7, and early stage company risk warning on page 9.
Speculative securities may not be suitable for Retail clients.

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Alpha HPA Ltd (A4N)

HPA First Project awarded \$45m government grant

Recommendation

Buy (unchanged)

Price

\$0.57

Valuation

\$0.96 (previously \$0.92)

Risk

Speculative

GICS Sector

Materials

Expected Return

| | |
|-----------------------|------------|
| Capital growth | 68% |
| Dividend yield | 0% |
| Total expected return | 68% |

Company Data & Ratios

| | |
|------------------------|----------------------|
| Enterprise value | \$417m |
| Market cap | \$453m |
| Issued capital | 795m |
| Free float | 87% |
| Avg. daily val. (52wk) | \$1.0m |
| 12 month price range | \$0.40-\$0.74 |

Price Performance

| | (1m) | (3m) | (12m) |
|----------------|-------|------|-------|
| Price (A\$) | 0.65 | 0.55 | 0.48 |
| Absolute (%) | -11.6 | 3.6 | 20.0 |
| Rel market (%) | -10.0 | 6.6 | 13.0 |

Absolute Price



SOURCE: IRESS

Federal Government Modern Manufacturing Initiative

A4N has announced the Commonwealth Department of Industry, Science, Energy and Resources has awarded the HPA First Project a \$45m grant under the Modern Manufacturing Initiative. Of the \$45m proceeds, 90% will be available to A4N and 10% to its chemical counterparty Orica. A4N was the lead applicant in the grant, with Orica as joint applicant and letters of support from key stakeholders. The success of this application provides further due diligence support to A4N's HPA First Project. It follows the definitive agreement with Orica for process reagent supply and offtake, which involved rigorous technical assessment. The grant coincides with the lenders' Independent Technical Expert review which is in final draft form.

Material funding contribution for full scale project

The \$45m grant could contribute to a material proportion of the HPA First Project's equity requirement. The HPA First Project definitive feasibility study (March 2020) capital estimate was \$308m (including \$27m contingency); we expect a mix of government concessional (e.g. Northern Australia Infrastructure Facility) and commercial lenders to fund around 65% (i.e. around \$200m) of this amount. In the meantime, A4N is funded (December 2021 cash \$36m) to complete the development of the Stage 1 Precursor Production Facility, prior to full-scale project FID.

Investment view: Buy (Speculative), Valuation \$0.96/sh

A4N's HPA and aluminium precursor products have applications in lithium ion battery, micro-LED and semiconductor manufacturing; technologies at the forefront of the global decarbonising and onshoring themes. Near term catalysts include initial product offtake agreements and final HPA First Project scope and design. We have increased our risked and diluted valuation to \$0.96/sh (previously \$0.92/sh) on lower assumed dilution as a result of the Federal Government grant; there are no material earnings changes in this report.

A4N is a development company with prospective operations and cash flows only. Our Speculative risk rating recognises this higher level of risk and volatility of returns.

Earnings Forecast

| Year ending 30 June | 2022e | 2023e | 2024e | 2025e |
|------------------------|---------|---------|-------|-------|
| Sales (A\$m) | 0 | 13 | 163 | 353 |
| EBITDA (A\$m) | (3) | (1) | 85 | 254 |
| NPAT (reported) (A\$m) | (3) | (9) | 56 | 157 |
| NPAT (adjusted) (A\$m) | (3) | (9) | 56 | 157 |
| EPS (adjusted) (cps) | (0.4) | (0.8) | 5.3 | 14.9 |
| EPS growth (%) | na | na | na | 181% |
| PER (x) | -159.8x | -70.6x | 10.8x | 3.8x |
| FCF Yield (%) | -18% | -32% | -4% | 21% |
| EV/EBITDA (x) | -126.8x | -651.3x | 4.9x | 1.6x |
| Dividend (cps) | - | - | - | 8.0 |
| Yield (%) | 0% | 0% | 0% | 14% |
| Franking (%) | - | - | - | - |
| ROE (%) | -3% | -5% | 29% | 61% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Inputs for key decarbonising technologies

A4N product suite & technology applications

A4N now has five products with 14 potential applications across six technology categories.

Table 1 - A4N's product suite & applications

| KEY APPLICATION | Lithium ion batteries | | | LEDs | | Other |
|------------------------------|---|------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------------------|
| | Cathode | Separator | Anode | LED lights | Micro-LEDs (displays) | |
| A4N PRODUCT | | | | | | |
| High Purity Alumina | | | | | | |
| HPA powder | | HPA layer coating | | Phosphors for white LEDs | | Specialty ceramics |
| HPA tablets | | | | Sapphire glass wafers (substrate) | Sapphire glass wafers (substrate) | |
| Boehmite | | Boehmite layer coating | | | | Specialty ceramics |
| Aluminium Pre-cursors | | | | | | |
| Aluminium nitrate | HPA particle coating | | HPA particle coating | Phosphors for white LEDs | Nano-size phosphors | Catalysts & YAG laser crystals |
| Aluminium sulphate | Sulphate blending (NCA & NCMA) & HPA particle coating | | HPA particle coating | | | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Market outreach activity: Submitted bids & test work

We expect imminent news flow relating to product offtake agreements. The below tables were current at the end of the December 2021 quarter.

Table 2 - Submitted offtake and/or supply bids (as at 31 December 2021)

| Counter | End-User Description | End-User Domicile | Product | Demand Size | End Use | Status |
|---------|--|-------------------|---------------|----------------|--|--|
| 1 | Global Chemicals Manufacturer & Wholesaler | Germany | Al-precursors | very large | Lithium-ion battery electrode coatings | Pending |
| 2 | Global Chemicals Manufacturer | Germany | Al-precursors | small | Specialty catalysts | Bids submitted, pending confirmation |
| 3 | Lithium-Ion Battery Cathode | EU | Al-Sulfate | medium-large | Lithium-ion battery cathode | Bid Submitted |
| 4 | Global Materials company | USA | HPA powder | small | CMP slurries | Testing complete. Bids submitted, pending confirmation |
| 5 | Chemical Company | Japan | Al-precursors | medium | Specialty catalysts | Bids submitted, pending confirmation |
| 6 | Global Lighting Company | Netherlands | HPA powder | small - medium | mini-LED Phosphors | Testing complete. Bids submitted, pending new product launch |
| 7 | Global Lighting Company | Germany | HPA powder | small - medium | LED Phosphors | Testing ongoing. Bids submitted, pending confirmation |
| 8 | Li-ion battery separator OEM | Japan | HPA powder | large | Lithium-ion battery separator coatings | Testing complete. Bids submitted, pending confirmation |
| 9 | Undisclosed | Australia | HPA powder | small - medium | Undisclosed | Bids submitted, pending pilot trial |
| 10 | Sapphire Glass Manufacturer | USA | HPA pellets | medium | Sapphire Glass | Testing complete. Awaiting volume confirmation |
| 11 | LED Phosphor Company | Germany | HPA powder | small - medium | LED Phosphors | Maiden sales complete, seeking final volume confirmation |
| 12 | Electronics/Materials | Japan | Spherical HPA | medium | Integrated Circuit Resins | Bid subject to Pilot Testing Underway |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 3 - End user product test work (as at 31 December 2021)

| Counter | End-User Description | End-User Domicile | Product | Demand Size | End Use | Status |
|---------|----------------------------------|-------------------|-----------------------|----------------|--|--|
| 1 | High Technology LED Lighting | Japan | Al-Nitrate | medium | micro-LED phosphors | Test results due Dec 2021 |
| 2 | LED Phosphor Company | Japan | HPA powder | small - medium | Al-nitride manufacture for LED's | First pass testing successful. Further samples requested |
| 3 | Global LED Company | Japan | HPA powder | medium | LED phosphors | End user testing underway |
| 4 | Global materials company | EU/USA | Multiple Products | very large | Specialty aluminas | Test Products under manufacture |
| 5 | Specialty Electronics & Ceramics | Taiwan | HPA powder | small - medium | LED Phosphors | Test order in production in Brisbane |
| 6 | Battery Materials Manufacturer | Japan | Boehmite | large | Li-B separator coatings | End user testing underway |
| 7 | Research Organisation | Germany | Multiple Products | Unknown | Specialty Ceramics | End user testing underway |
| 8 | Research Organisation | Germany | Al-Nitrate | Unknown | micro-LED phosphors | End user testing underway |
| 9 | Photonics Manufacturer | USA | Al-Nitrate | small - medium | YAG Laser Crystals | Maiden sales complete, seeking larger volume orders |
| 10 | Photonics Manufacturer | USA | Al-Nitrate | small - medium | YAG Laser Crystals | End user testing underway |
| 11 | Research Organisation | Australia | Al-Nitrate | Unknown | Li-B particle coatings | End user testing underway |
| 12 | Research Organisation | Australia | Al-Nitrate | Unknown | Li-B particle coatings | End user testing underway |
| 13 | Global materials company | Japan | HPA Pellets | medium | Specialty Ceramics/Sapphire Glass | Test order under manufacture in Brisbane |
| 14 | Global materials company | Japan | Multiple Products | medium-large | CMP Slurries | End user testing underway |
| 15 | Battery Separator Manufacturer | USA | HPA & Boehmite Powder | large | Li-B separator coatings | End user testing underway |
| 16 | Govt Organisation | Japan | Gamma alumina | small | Medical | End user testing underway |
| 17 | Electronics coatings | USA | Al-Nitrate | small | Coatings | Ongoing small volume (high value) sales |
| 18 | Specialist Battery OEM | USA | HPA powder | small | Lithium-ion battery separator coatings | Awaiting volume confirmation |
| 19 | Li-B anode manufacturer | EU | Al-Nitrate | large | anode particle coatings | Testing underway |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Timeline & value catalysts

- **1H 2022:**
 1. Initial commercial offtake agreements with end users;
 2. Feasibility level design of re-configured HPA First Project scope which allows for expected product mix; and
 3. Initial debt financing term sheets.
- **Mid-2022:** A4N Board take HPA First Project Final Investment Decision.
- **September 2022 quarter:**
 1. Initial sales and cash flow from PPF;
 2. Construction of full scale HPA First Project commences.

Earnings capability: EBITDA of ~\$250m/year at steady state

We estimate that the HPA First Project, in its current form, could generate annual EBITDA of more than \$250m at steady state. This assumption is supported by production of 10ktpa at average prices of US\$25/kg for annual revenue of \$350m. At costs of around US\$8.50/kg (consistent with A4N's March 2020 DFS), EBITDA margins are around 70%.

Future capital requirements & funding options

A4N's March 2020 HPA First Project DFS estimated capital costs of \$308m, including \$27m over-run contingency.

The HPA First Project's location (Gladstone, Queensland) and end products (inputs into key decarbonising technologies) make it a candidate for Government backed concessional debt finance. We expect that the Northern Australia Infrastructure Facility and Clean Energy Finance will consider extending debt facilities to support the project. We also expect that commercial banks diversifying away from carbon intensive projects will have an interest in extending debt and working capital finance.

The following table outlines the HPA First Project's capital requirements and the sources of funding which we assume. We factor in a \$90m equity raising over the next twelve months to support the project's development and working capital ahead of debt draw-down.

Table 4 - Future capital requirements

| Table 4 - Future capital requirements | | |
|--|---------------|-------------|
| Capital costs | | A\$m |
| Processing plant | | 173 |
| Utilities | | 19 |
| Infrastructure | | 39 |
| Indirects | | 44 |
| Owners costs | | 7 |
| Total excluding contingency | | 281 |
| Contingency | | 27 |
| Total | | 308 |
| Funding requirements | % est. | A\$m |
| Debt finance | 65% | 200 |
| Equity | 35% | 108 |
| Total | 100% | 308 |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Valuation & methodology

Risked & diluted valuation summary

Our risked and diluted A4N valuation is \$0.96/sh and is based on:

- 4N HPA prices of US\$25,000/t (consistent with CRU Group's market outlook);
- A4N's March 2020 Definitive Feasibility Study HPA First Project capital and operating costs; and
- A4N's published Precursor Production Facility (June 2021) capital and operating cost estimates.

Risk and dilution to calculated NPV:

- Project risk discount of 25% to take into account project stage (DFS completed, pre-development stage); and
- Dilution from an assumed \$90m equity raising prior to commencement of full scale construction in mid-2022, at a 15% discount to A4N's current share price.

Table 5 - Risked & diluted valuation summary

| Product price scenario | 1 | 2 | 3 Preferred |
|--|--------------|-------------|----------------|
| 4N HPA (US\$/t) | 15,000 | 20,000 | 25,000 |
| Al-Precursor #1 (US\$/t) | 50,000 | 55,000 | 65,000 |
| Al-Precursor #2 (US\$/t) | 35,000 | 40,000 | 45,000 |
| HPA First Project | | | |
| Unrisked NPV (10% discount rate) | 326 | 737 | 1,154 |
| Risk discount | 25% | | |
| Risked NPV (10% discount rate) | 244 | 553 | 865 |
| Corporate costs | -40 | | |
| Enterprise value | 204 | 513 | 825 |
| Net debt / (cash) | -36 | | |
| Equity valuation (risked, undiluted) | 241 | 549 | 862 |
| Assumed capital raise \$m | 90 | | |
| Assumed raise price \$/sh | 0.485 | | |
| Government grant \$m | 40 | | |
| Current shares on issue m | 795 | | |
| In the money options m | 73 | | |
| Assumed capital raising dilution m | 186 | | |
| Diluted shares on issue m | 1,054 | | |
| Net debt / (cash) (including options, assumed raising & grant) | -190 | | |
| Equity valuation (risked, diluted) | 394 | 703 | 1,015 |
| Equity valuation (risked, diluted) \$/sh | 0.37 | 0.67 | 0.96 |
| Current share price | 0.570 | | |
| Valuation / price | 0.6x | 1.2x | 1.7x |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our preferred HPA product pricing assumption is at the high end of A4N's published definitive feasibility study price ranges, which we believe is justified:

- Since the DFS, A4N has identified a number of precursor high purity aluminium and alumina products which have the potential to add further value to the project. These precursor products are produced mid-stream of the project's flow-sheet, are expected

to be higher margin and have the potential to provide increased return on capital invested.

- The global decarbonisation and onshoring themes have accelerated in recent months as developed economies look to address climate change targets in the context of a post-pandemic economic recovery. A4N's HPA First Project products have applications in technologies directly linked to these themes; the manufacturing of lithium ion batteries, LED lighting and semiconductors.
- There is potential for A4N's products to have applications in the manufacture of micro-LEDs. Micro LED technology is expected to be the next generation of display technology, superseding OLED and black-lit LCDs.
- Commercialisation of A4N's HPA First Project technology could step beyond the proposed Gladstone project development. With A4N's propriety technology, HPA First Project could be scaled up or replicated elsewhere.
- A4N has announced the HPA First Project has received a Federal Government funding grant of \$45m (\$40.5m to A4N) to support the project through the Modern Manufacturing Initiative programme.

Alpha HPA Ltd summary

Company description

A4N's HPA First Project is aiming to supply high-purity alumina (HPA) at a purity of greater than 99.99% (or 4N) to the lithium ion battery and light emitting diode (LED) manufacturing sectors. The project's proprietary technology is expected to disrupt incumbent HPA production through significantly lower unit costs. Results of a March 2020 DFS outlined a 10,000tpa 4N HPA project with a capital cost of \$308m and pre-tax annual cash flow of \$133-280m at 4N HPA prices ranging US\$15,000-25,000/t.

The HPA First Project is a solvent extraction process using an aluminium chemical feedstock purchased on globally traded markets. Orica Ltd (ORI) and A4N have executed a definitive agreement for ORI's supply of process reagents and for by-product offtake. This agreement has required significant third party due diligence of the HPA First Project process.

Investment view: Speculative Buy, Valuation \$0.96/sh

A4N's HPA and aluminium precursor products have applications in lithium ion battery, micro-LED and semiconductor manufacturing; technologies at the forefront of the global decarbonising and onshoring themes. Near term catalysts include initial product offtake agreements and final HPA First Project scope and design. We have increased our risk and diluted valuation to \$0.96/sh (previously \$0.92/sh) on lower assumed dilution as a result of the Federal Government grant; there are no earnings changes in this report.

A4N is a development company with prospective operations and cash flows only. Our Speculative risk rating recognises this higher level of risk and volatility of returns.

Valuation methodology

We have modelled the HPA First Project using assumptions consistent with the March 2020 DFS. We assume:

- 4N HPA prices of US\$25,000/t (consistent with CRU Group's market outlook);
- A4N's March 2020 Definitive Feasibility Study HPA First Project capital and operating costs; and
- A4N's published Precursor Production Facility (June 2021) capital and operating cost estimates.

Risk and dilution to calculated NPV:

- Project risk discount of 25% to take into account project stage (DFS completed, pre-development stage); and
- Dilution from an assumed \$90m equity raising prior to commencement of full scale construction in mid-2022, conservatively at a 15% discount to A4N's current share price.

Risks

Risk to an investment in A4N include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of development and operating assets and companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Technology:** Projects may be reliant on commercialisation of new production processes and methodologies which have yet been proven on a large scale. Technology may be replicated by competitors resulting in a loss of market share.
- **Infrastructure access.** Projects are reliant upon access to transport and pipeline infrastructure. Access to infrastructure is often subject to contractual agreements, permits and capacity allocations. Agreements are typically long-term in nature. Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for raw material inputs and labour can fluctuate and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to commodity and labour markets. Companies are also exposed to costs associated with future land rehabilitation.
- **Sovereign risks.** Companies' assets are subject to the sovereign risk of the country of location and may also be exposed to the sovereign risks of major offtake customers.
- **Regulatory changes.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuations of companies.
- **Environmental risks.** Companies are exposed to risks associated with environmental degradation as a result of their production processes.
- **Operating and development risks.** Companies' assets are subject to risks associated with their operation and development. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety (OH&S) risks.** Companies are exposed to OH&S risks.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **Impact of pandemic infection such as Coronavirus disease (COVID-19).** This may have an adverse impact on the macro economic factors, including the mobility of labour, which can impact asset valuations.

Table 6 - Financial summary

| Date | 16/03/22 | | | | | | Bell Potter Securities | | | | | | |
|-------------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|---|----------|--------------|-------------|-------------|-------------|--------|
| Price | AS/sh 0.570 | | | | | | Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856) | | | | | | |
| Valuation | AS/sh 0.96 | | | | | | Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624) | | | | | | |
| PROFIT AND LOSS | | | | | | | FINANCIAL RATIOS | | | | | | |
| Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e | Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e |
| Revenue | \$m | 1 | 0 | 13 | 163 | 353 | VALUATION | | | | | | |
| Expenses | \$m | (15) | (3) | (14) | (78) | (99) | EPS | Ac/sh | (2) | (0) | (1) | 5 | 15 |
| EBITDA | \$m | (14) | (3) | (1) | 85 | 254 | EPS growth (Acps) | % | na | na | na | na | 181% |
| Depreciation & amortisation | \$m | (2) | - | (2) | (14) | (18) | PER | x | -24.4x | -159.8x | -70.6x | 10.8x | 3.8x |
| EBIT | \$m | (16) | (3) | (3) | 71 | 236 | DPS | Ac/sh | - | - | - | - | 8.0 |
| Net interest expense | \$m | (0) | - | (6) | (12) | (12) | Franking | % | 0% | 0% | 0% | 0% | 0% |
| Profit before tax | \$m | (16) | (3) | (9) | 59 | 224 | Yield | % | 0% | 0% | 0% | 0% | 14% |
| Tax expense | \$m | - | - | - | (3) | (67) | FCF/share | Ac/sh | (1.2) | (10.1) | (18.3) | (2.1) | 11.8 |
| NPAT (reported) | \$m | (16) | (3) | (9) | 56 | 157 | FCF yield | % | -2% | -18% | -32% | -4% | 21% |
| NPAT (adjusted) | \$m | (16) | (3) | (9) | 56 | 157 | EV/EBITDA | x | -29.8x | -126.8x | -651.3x | 4.9x | 1.6x |
| CASH FLOW STATEMENT | | | | | | | LIQUIDITY & LEVERAGE | | | | | | |
| Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e | Net debt / (cash) | \$m | (50) | (85) | 108 | 130 | 91 |
| OPERATING CASH FLOW | | | | | | | Net debt / Equity | % | -100% | -49% | 65% | 59% | 31% |
| Receipts from customers | \$m | - | 1 | 10 | 133 | 315 | Net debt / Net debt + Equity | % | 82517% | -94% | 39% | 37% | 23% |
| Payments to suppliers and employees | \$m | (3) | (5) | (13) | (71) | (97) | Net debt / EBITDA | x | 3.6x | 25.8x | -168.9x | 1.5x | 0.4x |
| Tax paid | \$m | - | - | - | (3) | (67) | EBITDA /net int expense | x | -148.6x | 0.0x | -0.1x | 7.1x | 21.2x |
| Net interest | \$m | 0 | - | (6) | (12) | (12) | PROFITABILITY RATIOS | | | | | | |
| Other | \$m | 1 | - | - | - | - | EBITDA margin | % | -1446% | -65800% | -5% | 52% | 72% |
| Operating cash flow | \$m | (2) | (4) | (8) | 46 | 139 | EBIT margin | % | -1676% | -65800% | -19% | 44% | 67% |
| INVESTING CASH FLOW | | | | | | | Return on assets | % | -52% | -3% | -3% | 14% | 33% |
| Capex | \$m | (7) | (89) | (185) | (68) | (15) | Return on equity | % | -54% | -3% | -5% | 29% | 61% |
| Acquisitions | \$m | - | - | - | - | - | ASSUMPTIONS - Prices (nominal) | | | | | | |
| Other | \$m | - | - | - | - | - | Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e |
| Investing cash flow | \$m | (7) | (89) | (185) | (68) | (15) | 4N HPA price | US\$/t | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| FINANCING CASH FLOW | | | | | | | 4N HPA price | A\$/t | 33,787 | 34,014 | 34,014 | 33,784 | 33,784 |
| Debt proceeds/(repayments) | \$m | (0) | - | 200 | - | - | FX | US\$/A\$ | 0.74 | 0.74 | 0.74 | 0.74 | 0.74 |
| Dividends paid | \$m | - | - | - | - | (84) | ASSUMPTIONS - Sales (equity) | | | | | | |
| Proceeds from share issues (net) | \$m | 51 | 128 | - | - | - | Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e |
| Other | \$m | 0 | - | - | - | - | 4N HPA sales | t | - | - | - | 4,370 | 10,000 |
| Financing cash flow | \$m | 51 | 128 | 200 | - | (84) | 5N Al-Precursor #1 - Al-Nitrate | t | - | - | 87 | 100 | 100 |
| Change in cash | \$m | 42 | 35 | 7 | (22) | 40 | 5N Al-Precursor #2 - Al-Sulfate | t | - | - | 87 | 100 | 100 |
| Free cash flow | \$m | (8) | (93) | (193) | (22) | 124 | VALUATION | | | | | | |
| BALANCE SHEET | | | | | | | VALUATION | | | | | | |
| Year ending 30 June | Unit | 2021a | 2022e | 2023e | 2024e | 2025e | Product price scenario | | | 1 | 2 | 3 | |
| ASSETS | | | | | | | 4N HPA price US\$/t | | | 15,000 | 20,000 | 25,000 | |
| Cash | \$m | 50 | 85 | 92 | 70 | 109 | HPA First project \$m | | | | | | |
| Receivables | \$m | 1 | 0 | 3 | 33 | 71 | Unrisked NPV (10% discount rate) | | | 326 | 737 | 1,154 | |
| Inventories | \$m | - | 0 | 1 | 8 | 10 | Risk discount | | 25% | | | | |
| Capital assets | \$m | 1 | 90 | 273 | 327 | 324 | Risked NPV | | | 244 | 553 | 865 | |
| Other assets | \$m | 0 | 0 | 0 | 0 | 0 | Corporate costs \$m | | (40) | | | | |
| Total assets | \$m | 52 | 175 | 369 | 438 | 515 | Enterprise value \$m | | | 204 | 513 | 825 | |
| LIABILITIES | | | | | | | Net debt / (cash) \$m | | (36) | | | | |
| Creditors | \$m | 2 | 1 | 3 | 16 | 20 | Equity valuation (risked, undiluted) \$m | | | 241 | 549 | 862 | |
| Borrowings | \$m | - | - | 200 | 200 | 200 | Assumed capital raise \$m | | 90 | | | | |
| Provisions | \$m | - | - | - | - | - | Assumed raise price \$/sh | | 0.48 | | | | |
| Other liabilities | \$m | 0 | - | - | - | - | Current shares on issue m | | 795 | | | | |
| Total liabilities | \$m | 2 | 1 | 203 | 216 | 220 | In the money options m | | 73 | | | | |
| NET ASSETS | | | | | | | Assumed capital raising dilution m | | 186 | | | | |
| Share capital | \$m | 100 | 228 | 228 | 228 | 228 | Diluted shares on issue m | | 1,054 | | | | |
| Reserves | \$m | 8 | 8 | 8 | 8 | 8 | Net debt / (cash) (including options & assumed raising) \$m | | (190) | | | | |
| Accumulated losses | \$m | (57) | (60) | (69) | (13) | 60 | Equity valuation (risked, diluted) \$m | | | 394 | 703 | 1,015 | |
| Non-controlling interest | \$m | - | - | - | - | - | Equity valuation (risked, diluted) \$/sh | | | 0.37 | 0.67 | 0.96 | |
| SHAREHOLDER EQUITY | \$m | 50 | 175 | 166 | 222 | 295 | | | | | | | |
| Weighted average shares | m | 694 | 922 | 1,054 | 1,054 | 1,054 | | | | | | | |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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