

Analyst

 Stuart Howe 613 9235 1856
 Joseph House 613 9235 1624

Authorisation

David Coates 612 8224 2887

Alpha HPA Ltd (A4N)

Q2 FY22: Offtake imminent

Recommendation
Buy (unchanged)

Price
\$0.65
Valuation
\$0.92 (previously \$0.87)

Risk
Speculative
GICS Sector
Materials
Expected Return

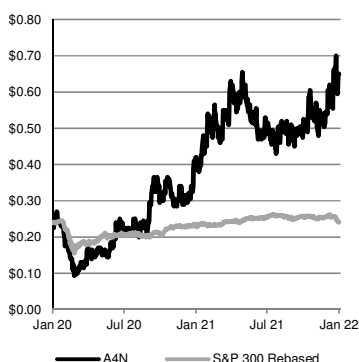
Capital growth	42%
Dividend yield	0%
Total expected return	42%

Company Data & Ratios

Enterprise value	\$481m
Market cap	\$517m
Issued capital	795m
Free float	87%
Avg. daily val. (52wk)	\$881,169
12 month price range	\$0.355-\$0.705

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.55	0.49	0.41
Absolute (%)	19.3	34.0	58.5
Rel market (%)	25.5	40.3	56.0

Absolute Price


SOURCE: IRESS

Initial Al-precursor & HPA offtake agreements imminent

A4N is now in advanced stages of offtake discussions for its range of aluminium precursor and high purity alumina (HPA) products and is confident that initial supply agreements will be entered in early 2022. The company has outlined twelve chemical and manufacturing groups located across Europe, the USA and Asia seeking raw material supply for lithium ion battery and LED lighting components. A further nineteen similar groups have commenced end-user product testing with A4N's products. Entering offtake agreements will be a key value catalyst for A4N and critical input into final project design and debt financing arrangements. At 31 December 2021, A4N had cash of \$36m (30 September 2021 \$46m) and remains debt free.

Stage 1 development underway; Stage 2 nearing final scope

During the quarter a number of milestones were met in developing the project's initial Precursor Production Facility; it remains on budget and on track for first production in August 2022. The full scale HPA First Project lender technical due diligence is nearing completion. A4N is now working to finalise the re-configured project scope based on product mix estimates by the end of the March 2022 quarter.

Investment view: Buy (Speculative), Valuation \$0.92/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. The company's proprietary process has produced product samples consistently recognised as "best in class" by end users. The high purity products and competitive unit costs have the potential to disrupt incumbent production methods and establish A4N as an integral part of the rapidly advancing decarbonising technology supply chain. Our \$0.92/sh valuation (previously \$0.87/sh) is risked to account for the HPA First Project's pre-development stage and diluted for likely capital requirements.

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 end 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)	5.5	15.4
EPS growth (%)	na	na	na	181%
PER (x)	-179.0x	-78.1x	11.9x	4.2x
FCF Yield (%)	-16%	-29%	-3%	19%
EV/EBITDA (x)	-146.1x	-750.6x	5.7x	1.9x
Dividend (cps)	-	-	-	8.0
Yield (%)	0%	0%	0%	12%
Franking (%)	-	-	-	-
ROE (%)	-3%	-5%	29%	60%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Q2 FY21: Offtake imminent

Key points from A4N's quarterly report

- **Product marketing and offtake agreements imminent:** A4N has submitted twelve tender bids to a range of aluminium precursor and HPA end users across the lithium ion battery end LED lighting industries. Offtake discussions are advanced and initial agreements are expected in early 2022. Offtake agreements will inform A4N's final HPA First Project design and be an integral component of debt financing conditions.
- **Small batch sales orders continue:** Including 10kg aluminium precursors at US\$310/kg; 5kg spherical HPA at US\$50/kg; and 30kg ultrafine HPA powders at A\$40/kg. These small-batch orders are priced accordingly and will be fulfilled by A4N's pilot plant in Brisbane. The sales could potentially lead to larger volume offtake agreements.
- **Precursor Production Facility development advances:** Queensland State Government Approval has been received for both the Precursor Production Facility and the Stage 2 HPA First Project. Site excavation is now underway for initial building construction from March 2022. Over 80% of mechanical equipment contracts have been awarded for the facility. The project is on budget and on track for first aluminium precursor production from August 2022.
- **Stage 2 HPA First Project technical due diligence and FEED nears completion:** Draft final reports from the Independent Technical Expert have been received and are expected to be finalised in the coming weeks. The ITE reports form a critical component of lenders' due diligence. Worley Group's draft Front End Engineering Design study is under review with A4N completing production scenario analysis based on its expected end user-driven product mix. Feasibility study level assessment of the final project scope is expected by the end of March 2022.
- **December 2021 quarter ending cash of \$36m (30 September 2021 \$46m):** During the quarter A4N spent \$4.1m on operating activities and \$5.9m on investing activities. A4N is funded to complete the development of the \$28m Precursor Production Facility.

A4N key 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	Speciality aluminas	Test Products under manufacture
5	Specialty Electrics & 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

- **Early 2022:**
 1. Initial commercial offtake agreements with end users; and
 2. Feasibility level design of re-configured HPA First Project scope which allows for expected product mix.
- **June 2022 quarter:** 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 technology) 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 \$130m 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 \$0.92/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 \$130m 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	130		
Assumed raise price \$/sh	0.553		
Current shares on issue m	795		
In the money options m	73		
Assumed capital raising dilution m	235		
Diluted shares on issue m	1,103		
Net debt / (cash) (including options & assumed raising)	-190		
Equity valuation (risked, diluted)	394	703	1,015
Equity valuation (risked, diluted) \$/sh	0.36	0.64	0.92
Current share price	0.65		
Valuation / price	0.6x	1.0x	1.4x

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our preferred HPA product pricing assumption is at the high end of A4N's published 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.

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 (prices are currently around \$24,000/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. A 20-year partnership between A4N and ORI is being considered.

For further information on A4N's project and target markets, see our initiation research report dated 21 May 2020.

Investment view: Speculative Buy, Valuation \$0.92/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. The company's proprietary process has produced product samples consistently recognised as "best in class" by end users. The high purity products and competitive unit costs have the potential to disrupt incumbent production methods and establish A4N as an integral part of the rapidly advancing decarbonising technology supply chain. Our \$0.92/sh valuation (previously \$0.87/sh) is risked to account for the HPA First Project's pre-development stage and diluted for likely capital requirements.

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 \$130m 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	27/01/22					Bell Potter Securities											
Price	A\$/sh	0.650					Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)										
Valuation	A\$/sh	0.92					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	-27.8x	-179.0x	-78.1x	11.9x	4.2x				
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%	12%				
Tax expense	\$m	-	-	-	(3)	(67)	FCF/share	Ac/sh	(1.2)	(10.3)	(18.9)	(2.2)	12.1				
NPAT (reported)	\$m	(16)	(3)	(9)	56	157	FCF yield	%	-2%	-16%	-29%	-3%	19%				
NPAT (adjusted)	\$m	(16)	(3)	(9)	56	157	EV/EBITDA	x	-34.4x	-146.1x	-750.6x	5.7x	1.9x				
CASH FLOW STATEMENT							LIQUIDITY & LEVERAGE										
Year ending 30 June	Unit	2021a	2022e	2023e	2024e	2025e	Net debt / (cash)	\$m	(50)	(85)	108	130	88				
OPERATING CASH FLOW							Net debt / Equity	%	-100%	-49%	65%	59%	30%				
Receipts from customers	\$m	-	1	10	133	315	Net debt / Net debt + Equity	%	82517%	-94%	39%	37%	23%				
Payments to suppliers and employ	\$m	(3)	(5)	(13)	(71)	(97)	Net debt / EBITDA	x	3.6x	25.8x	-168.9x	1.5x	0.3x				
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%	60%				
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	-	-	-	-	(82)	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	-	(82)	5N Al-Precursor #1 - Al-Nitrate	t	-	-	87	100	100				
Change in cash	\$m	42	35	7	(22)	42	5N Al-Precursor #2 - Al-Sulfate	t	-	-	87	100	100				
Free cash flow	\$m	(8)	(93)	(193)	(22)	124	VALUATION										
BALANCE SHEET							Year ending 30 June	Unit	2021a	2022e	2023e	2024e	2025e	Preferred			
Year ending 30 June	Unit	2021a	2022e	2023e	2024e	2025e	Product price scenario										
ASSETS							4N HPA price US\$/t							1	2	3	
Cash	\$m	50	85	92	70	112	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	517	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			130							
Provisions	\$m	-	-	-	-	-	Assumed raise price \$/sh			0.55							
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				235						
Share capital	\$m	100	228	228	228	228	Diluted shares on issue m			1,103							
Reserves	\$m	8	8	8	8	8	Net debt / (cash) (including options & assumed raising) \$m		(190)								
Accumulated losses	\$m	(57)	(60)	(69)	(13)	62	Equity valuation (risked, diluted) \$m				394	703	1,015				
Non-controlling interest	\$m	-	-	-	-	-	Equity valuation (risked, diluted) \$/sh				0.36	0.64	0.92				
SHAREHOLDER EQUITY	\$m	50	175	166	222	297											
Weighted average shares	m	694	906	1,022	1,022	1,022											

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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
TS Lim	Banks	612 8224 2810	tslim
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Hamish Murray	Industrials	613 9235 1813	hmurray
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Regan Burrows	Resources	618 9326 7677	rburrows
Joseph House	Resources	613 9235 1624	jhouse
Associates			
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey
Daniel Laing	Associate Analyst	612 8224 2886	dlaing

Bell Potter Securities Limited

ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited

Room 1701, 17/F
Prosperity Tower, 39 Queens Road
Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC

Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited

16 Berkeley Street
London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929

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