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Alpha HPA Ltd (A4N)

HPA First Stage 2 FID imminent

Recommendation
Buy (unchanged)
Price
\$0.86
Valuation
\$1.60 (previously \$1.68)
Risk
Speculative

GICS Sector

Materials

Expected Return

Capital growth	86%
Dividend yield	0%
Total expected return	86%

Company Data & Ratios

Enterprise value	\$770m
Market cap	\$803m
Issued capital	934m
Free float	~87%
Avg. daily val. (52wk)	\$2.4m
12 month price range	\$0.65-\$1.25

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.93	1.00	0.64
Absolute (%)	-7.0	-13.6	35.4
Rel market (%)	-9.4	-16.9	24.5

Absolute Price



SOURCE: IRESS

Stage 2 FID imminent; Sapphire growth from next month

A4N has provided an update pointing to imminent completion of a final definitive feasibility study (DFS) and project financing for the full-scale HPA First Project Stage 2, taking production to +10,000tpa HPA equivalent (HPAe). The group is also on track to commence Alpha Sapphire “Phase A” production from its first two growth units in April 2024; its HPA feedstock has been “qualified” by technology provider Ebner-Fametec. HPA First Project Stage 1 continues to support product marketing with strong momentum across lithium-ion battery and semiconductor sectors.

Update points to several near-term de-risking milestones

We expect final Project Finance debt funding approvals for Stage 2 within weeks. Australian Government-backed funding agencies Export Finance Australia (EFA) and the Northern Australia Infrastructure Facility (NAIF) have provided a Letter of Support and Strategic Assessment Phase approvals, respectively. We expect the final DFS to outline robust updated project economics with a more diversified product suite and developed marketing strategy than previous study iterations. Alpha Sapphire Phase A production is the precursor to a fully funded Phase B rollout over FY25 to a total of 50 growth units potentially generating annual EBITDA of US\$26-35m. A broader rollout to 100 growth units (Phase C) will then be considered. Alpha Sapphire provides further de-risking of the HPA First project through downstream vertical integration.

Investment view – Speculative Buy, Valuation \$1.60/sh

A4N’s high purity aluminium products have value adding applications across lithium ion battery, micro-LED and semiconductor manufacturing, technologies at the forefront of the global decarbonising and reshoring themes. Our A4N valuation is \$1.60/sh (previously \$1.68/sh); the downgrade reflecting delays to first production. We assume the HPA First Project Stage 2 is developed over 2024-25 for first production in 2026 and estimate EBITDA of over \$250m at steady state at a HPAe price of US\$25/kg. We include a risked valuation for A4N’s Alpha Sapphire subsidiary.

Earnings Forecast

Year ending 30 June	2024e	2025e	2026e	2027e
Sales (A\$m)	8	16	149	373
EBITDA (A\$m)	(8)	2	87	262
NPAT (reported) (A\$m)	(10)	(9)	59	164
NPAT (adjusted) (A\$m)	(10)	(9)	59	164
EPS (adjusted) (eps)	(1.1)	(0.9)	5.8	16.1
EPS growth (%)	na	na	na	177%
PER (x)	-79.2x	-101.0x	14.8x	5.3x
FCF Yield (%)	-14%	-30%	-4%	14%
EV/EBITDA (x)	-92.8x	351.3x	8.9x	2.9x
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	-	-	-	-
ROE (%)	-9%	-4%	23%	44%

SOURCE: BELL POTTER SECURITIES ESTIMATES

HPA First Stage 2 FID imminent

HPA First Project Stage 2 feasibility study & FID imminent

A4N's update points to "execution readiness" for the full-scale HPA First Project Stage 2 final investment decision (FID), with imminent completion of a definitive feasibility study (DFS) and project financing. The group has appointed key management, is finalising the project's "owners team" and is focussing on long lead items.

A4N is nearing completion of a Project Finance debt facility jointly funded by Australian Government funding agencies the Northern Australia Infrastructure Facility (NAIF) and Export Finance Australia (EFA). The project has received a Letter of Support from EFA and Strategic Assessment Phase approval from NAIF.

Context & implications: The DFS will update previous HPA First Project studies (March 2020 DFS), taking into account the project's more diversified product range, broader customer markets, and updated capital and operating cost estimates.

We expect the Project Finance debt facility to cover the majority of Stage 2 capital requirements. We estimate a total funding requirement of around \$500m which will be covered by:

- **Government grants at least \$67m:** A4N has received Government Grants as outlined in the following table from both the Commonwealth Government and the Queensland Government.
- **NAIF & EFA Project Finance around \$300m:** A4N is in the final stages of completing Project Finance arrangements NAIF and EFA. We expect binding commitments by the end of April 2024 and that the project should support gearing of at least 60% (i.e. \$300m debt). We also expect commercial banks will support A4N's treasury and working capital requirements.
- **Strategic investments/equity/other \$100-150m:** We expect that strategic investors and equity markets (ORI is a 5% A4N shareholder) will be supportive of the remaining capital requirement.

Table 1 - A4N government grants

Source	Program	Purpose	Announced	\$m
Commonwealth Government	Modern Manufacturing Initiative	HPA First Project	16/03/2022	45
Commonwealth Government	Critical Minerals Accelerator Initiative	Stage 1 - PPF	28/04/2022	16
Queensland Government	Industry Partnership Program	HPA First Project	5/04/2023	22
Total grants				82
Stage 1 grants				16
Stage 2 grants				67
Alpha Sapphire	QCMETF	Alpha Sapphire Phase A&B	28/09/2023	30

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Alpha Sapphire growth from April 2024; A4N's HPA "qualified"

Installation of the initial two sapphire growth units at A4N's HPA First Project site in Gladstone is nearing completion. A4N is targeting first on-site crystal growth in April 2024.

The installation follows successful multi-boule synthetic sapphire growth, using A4N sourced HPA tablets as feedstock, at Ebner-Fametec's (technology provider) facilities in Austria. Ebner-Fametec has confirmed that A4N's HPA feedstock is now a "qualified" material for Fametec's sapphire product.

A4N's engineering teams have also completed final layout configurations for shortlisted Queensland-based sites to house the company's broader rollout of Ebner-Fametec sapphire growth units (Phase B 48 units; Phase C an additional 50 sapphire units for a total of 100 units in operation).

Context & implications: Successful qualification of A4N's HPA feedstock and commencement of domestic sapphire production are key precedents to FID on the Phase B rollout (and subsequently Phase C) expected over FY25.

Phase A and Phase B are fully funded through a \$30m QIC Critical Minerals and Battery Technology Fund facility (announced in September 2023) and A4N's current cash position (31 December 2023 \$36m). A4N's initial earnings estimates for the Alpha Sapphire business Phase A and Phase B are EBITDA of \$41-54m, delivering product to the LED and sapphire optics markets.

Conditional upon the success of Phase A and Phase B, A4N will then consider a large-scale expansion of an additional 1,000 synthetic sapphire growth units "Nova Phase". At Alpha Sapphire Nova Phase (1,100 growth units), A4N have indicated the business will consume 3,000-4,000tpa HPA, which we estimate is approximately one third of the HPA First Project Stage 2 capacity.

At a high level, each sapphire growth unit will consume around 3tpa HPA and produce around 4tpa sapphire. Capex per unit is around A\$1.2m and annual EBITDA per unit around A\$0.8-1.1m.

Table 2 - Alpha Sapphire initial financial estimates (EBITDA, capex & payback)

	EBITDA	EBITDA	EBITDA	EBITDA	Capex est.	Payback
	Base case	High case	Base case	High case		
	US\$m	US\$m	A\$m	A\$m	A\$m	years
Phase A&B (50 growth units)	26	35	41	54	60	1.1-1.5
Phase C (100 growth units)	52	69	81	109	120	1.1-1.5

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

QIC CRITICAL MINERALS AND BATTERY TECHNOLOGY FUND FACILITY

A4N announced the QCMBTF facility on 28 September 2023 which has been provided to support Phase A and Phase B of the company's Alpha Sapphire rollout.

Key parameters and conditions of the QCMBTF funding are:

- Initial funding of \$3m on 1st Financial close (expected the week beginning 6 November 2023).
- Further funding of \$27m on 2nd Financial close, available up to 31 December 2024.
- A4N to take a Final Investment Decision on Alpha Sapphire Phase B, with matched funding provided by A4N.
- Repayment via 4.35% gross revenue (less power costs) from Alpha Sapphire product sales on the first 2,500t of sapphire product sales.
- Alpha Sapphire's Phase B and Phase C facilities are to be located within the state of Queensland.

Marketing: Li-battery, LED lighting & semiconductor sectors

A4N continues to market and service product orders across the lithium ion battery, LED lighting and semiconductor sectors from the HPA First Project Stage 1 facility.

In the 2024 calendar year to date, A4N has:

- Delivered 43 test samples (425kg in total) to end users for second and third round testing; and
- Completed small-volume commercial product sales to target high-volume end customers of around 300kg across 11 separate orders with product prices averaging US\$75/kg.

A4N has also commenced joint marketing with Ebner-Fametec's Norway based sapphire growth subsidiary, Arctic Sapphire.

Context & implications: The product qualification process for high-specification materials used across the lithium ion battery, LED lighting and semiconductor sectors is particularly onerous. A4N continues to provide products which match and even exceed the specifications of incumbent supply.

While the small scale of reported sales means that some level of caution is required, the average price of US\$75/kg across a broad range of products is highly encouraging. For reference, A4N completed its March 2020 DFS considering a HPA price range of US\$15-25/kg. More recent company commentary has provided a HPA equivalent basket price outlook of US\$25-30/kg (to take into account sales of nitrates, sulphates and other HPA-linked products).

The joint marketing with Arctic Sapphire provides potential customers with increased security of supply from a diversified production base producing sapphire under strict sustainability governance.

HPA First Project Stage 1 at +500kg/week at >99.995% purity

A4N's HPA First Project Stage 1 is now fully functional and producing the company's full product range including high purity aluminas, alumina hydrates, aluminium sulphates and aluminium nitrates. The recently commissioned HPA circuit is producing at rates of over 500kg per week with purity greater than 99.995%.

Context & implications: The HPA First Project Stage 1 (precursor production) facility is designed to produce +350tpa aluminium nitrates (HPA precursors), with the downstream HPA circuit expanding to produce 10-40tpa. At 500kg per week, rates of around 25tpa HPA are being achieved.

The Stage 1 facility supports A4N's marketing and product qualification efforts. It also supports A4N's Alpha Sapphire business, with Phase A (2 sapphire growth units) expected to consume around 6tpa HPA for value adding to produce around 8tpa in sapphire boules. In parallel to the ramp-up of Phase A, A4N will stockpile HPA production to support subsequent growth unit installations.

Valuation summary

Our base case A4N valuation of \$1.60/sh (previously \$1.68/sh) is based on:

- **Timing:** HPA First Project FID by mid-2024 for development over 2024-25 and first production from 2026.
- **Pricing:** HPAe basket price of US\$25/kg (US\$25,000/t) compared with recent independent market studies suggesting long term prices greater than US\$30/kg and recent sales at US\$75/kg.
- **Throughput:** HPA First Project Stage 2 producing 10,000tpa HPAe compared with possible rates of 12,000tpa given revised project scope and additional product lines.
- **Opex:** US\$7/kg compared with the DFS estimate of ~US\$5.9/kg.
- **Capex & capital requirements:** Capital cost of \$500m compared with the DFS estimate of \$308m. We have assumed around \$325m will be funded by debt, \$67m from already announced government grants and around \$125m by equity, potentially from strategic investors.

Steady state HPA First Project EBITDA under these assumptions is ~\$250m.

- **Alpha Sapphire:** Stand-alone project consisting of 100 sapphire growth units generating US\$52-69m (\$81-109m) EBITDA on a conservative EBITDA multiple of 5x, less capex and with a 50% risk discount applied.

Table 3 - Risked & diluted valuation summary

Product price scenario	1	2	3
		Base case	
Price - 4N HPAe basket US\$/t	US\$20,000/t	US\$25,000/t	US\$30,000/t
HPA First Project			
Unrisked NPV (10% discount rate) \$m	869	1,431	1,994
Risk discount %	20%		
Risked NPV (10% discount rate) \$m	695	1,145	1,595
Other (Canada potential, 80% risked) \$m	87	143	199
Alpha Sapphire (100 growth units, 50% risked)	171	171	171
Other (downstream & other) \$m	35	57	80
Corporate costs \$m	-50		
Enterprise value \$m	938	1,467	1,995
Net debt / (cash) \$m	-33		
Equity valuation (risked, undiluted) \$m	971	1,500	2,029
Assumed capital raise \$m	125		
Assumed raise price \$/sh	0.774		
Government grants \$m	97		
Current shares on issue m	934		
In the money options m	0		
Assumed capital raising dilution m	161		
Diluted shares on issue m	1,095		
Net debt / (cash) (including options, assumed raising & grants) \$m	-255		
Equity valuation (risked, diluted) \$m	1,193	1,722	2,250
Equity valuation (risked, diluted) \$/sh	1.10	1.60	2.10

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

HPA First Project product suite

Table 4 - A4N's product suite & applications

KEY APPLICATION A4N PRODUCT	Lithium ion batteries			LEDs		Semi-conductors	Other
	Cathode	Separator	Anode	LED lights	Micro-LEDs (displays)		
Aluminium Precursors							
Aluminium nitrate	HPA particle coating		HPA particle coating (anode active materials)	Phosphors for white LEDs	Nano-size phosphors		Catalysts & YAG laser crystals
Aluminium sulphate	Sulphate blending (NCA & NCMA)						
High Purity Alumina							
HPA powder (gamma phase)	High nickel cathode coating			Phosphors for white LEDs			Specialty catalysts
HPA tablets (alpha phase)				Sapphire glass wafers (substrate)	Sapphire glass wafers (substrate)		Specialty ceramics
HPA powder (nano-alumina)	High nickel cathode coating	HPA layer coating			Nano-size phosphors	Chemical-Mechanical Polishing	
5N ultra high purity alumina tri-hydrate	High nickel cathode doping						HPA precursor, direct lithium extraction, aluminate glass
HPA Powder (alpha phase)		Boehmite layer coating		LED phosphors		Thermal interface material	Specialty ceramics

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Alpha HPA Ltd summary

Company description

A4N's HPA First Project is aiming to supply high-purity aluminium-based products to the lithium ion battery, light emitting diode (LED) and semiconductor 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.

In June 2021, a HPA First Project Stage 1 was estimated to have revenues of \$10-15m and generate free cash flow of \$1.5-5.0m from aluminium precursor production of 200tpa. This project was subsequently scaled up to produce +350ktpa aluminium nitrates and additional high purity alumina and high purity boehmite production. Production at Stage 1 commenced in late 2022.

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. ORI is a 5% shareholder in A4N.

ALPHA SAPPHIRE: A4N'S DOWNSTREAM SUBSIDIARY

In March 2023, A4N announced it had entered a LOI with Austrian technology providers Ebner Industrieofenbau GmbH (Ebner) and Ebner subsidiary Fametec GmbH (Fametec) to establish sapphire glass manufacturing in Australia using A4N's HPA products and Ebner-Fametec's sapphire growth technology. In June 2023, the groups announced a potential expansion and the staged rollout to over 1,000 units. This business is housed under A4N's wholly owned subsidiary Alpha Sapphire.

In September 2023, Alpha Sapphire was awarded up to \$30m in project funding to accelerate the rollout of an initial 50 sapphire growth units under the LOI with Ebner Fametec.

Investment view – Speculative Buy, Valuation \$1.60/sh

A4N's high purity aluminium products have value adding applications across lithium ion battery, micro-LED and semiconductor manufacturing, technologies at the forefront of the global decarbonising and reshoring themes. Our A4N valuation is \$1.60/sh (previously \$1.68/sh), the downgrade reflecting delays to first production. We assume the HPA First Project Stage 2 is developed over 2024-25 for first production in 2026 and estimate EBITDA of over \$250m at steady state at a HP Ae price of US\$25/kg. We include a risked valuation for A4N's Alpha Sapphire subsidiary.

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 5 - Financial summary

Date	26/03/24						Bell Potter Securities																
Price	AS/sh 0.860						Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)																
Valuation	AS/sh 1.60																						
PROFIT AND LOSS												FINANCIAL RATIOS											
Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e	Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e										
Revenue	\$m	2	8	16	149	373	VALUATION																
Expenses	\$m	(17)	(16)	(14)	(62)	(111)	EPS	Ac/sh	(2)	(1)	(1)	6	16										
EBITDA	\$m	(15)	(8)	2	87	262	EPS growth (Acps)	%	na	na	na	na	177%										
Depreciation & amortisation	\$m	(1)	(2)	(2)	(10)	(18)	PER	x	-46.0x	-79.2x	-101.0x	14.8x	5.3x										
EBIT	\$m	(16)	(10)	0	77	244	DPS	Ac/sh	-	-	-	-	-										
Net interest expense	\$m	0	-	(9)	(18)	(18)	Franking	%	0%	0%	0%	0%	0%										
Profit before tax	\$m	(16)	(10)	(9)	59	226	Yield	%	0%	0%	0%	0%	0%										
Tax expense	\$m	-	-	-	(62)	(62)	FCF/share	Ac/sh	(2.3)	(11.8)	(26.0)	(3.4)	12.4										
NPAT (reported)	\$m	(16)	(10)	(9)	59	164	FCF yield	%	-3%	-14%	-30%	-4%	14%										
NPAT (adjusted)	\$m	(16)	(10)	(9)	59	164	EV/EBITDA	x	-50.9x	-92.8x	351.3x	8.9x	2.9x										
CASH FLOW STATEMENT												LIQUIDITY & LEVERAGE											
Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e	Net debt / (cash)	\$m	(21)	(35)	231	266	139										
OPERATING CASH FLOW							Net debt / Equity	%	-37%	-20%	101%	92%	31%										
Receipts from customers	\$m	0	8	16	121	328	Net debt / Net debt + Equity	%	-58%	-25%	50%	48%	24%										
Payments to suppliers and employees	\$m	(15)	(19)	(14)	(57)	(106)	Net debt / EBITDA	x	1.4x	4.2x	105.3x	3.1x	0.5x										
Tax paid	\$m	-	-	-	-	(62)	EBITDA / net int expense	x	35.4x	0.0x	0.2x	4.8x	14.5x										
Net interest	\$m	0	-	(9)	(18)	(18)	PROFITABILITY RATIOS																
Other	\$m	4	-	-	-	-	EBITDA margin	%	-932%	-104%	14%	58%	70%										
Operating cash flow	\$m	(11)	(11)	(7)	46	142	EBIT margin	%	-993%	-127%	2%	52%	65%										
INVESTING CASH FLOW							Return on assets	%	-26%	-8%	-2%	10%	24%										
Capex	\$m	(24)	(100)	(325)	(81)	(15)	Return on equity	%	-30%	-9%	-4%	23%	44%										
Acquisitions	\$m	-	-	-	-	-	ASSUMPTIONS - Prices (nominal)																
Other	\$m	16	0	67	-	-	Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e										
Investing cash flow	\$m	(8)	(100)	(258)	(81)	(15)	4N HPA price	US\$/t	25,000	25,000	25,000	25,000	25,000										
FINANCING CASH FLOW							4N HPA price	A\$/t	37,144	36,702	35,714	35,714	35,714										
Debt proceeds/(repayments)	\$m	(0)	-	300	-	-	FX	US\$/A\$	0.67	0.68	0.70	0.70	0.70										
Dividends paid	\$m	-	-	-	-	-	ASSUMPTIONS - Sales (equity)																
Proceeds from share issues (net)	\$m	23	125	-	-	-	Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e										
Other	\$m	-	-	-	-	-	4N HPAe sales	t	-	-	-	3,726	10,000										
Financing cash flow	\$m	23	125	300	-	-	5N Al-Precursor #1 - Al-Nitrate	t	98	175	175	175	175										
Change in cash	\$m	4	14	35	(35)	127	5N Al-Precursor #2 - Al-Sulfate	t	98	175	175	175	175										
Free cash flow	\$m	(19)	(111)	(265)	(35)	127	VALUATION																
BALANCE SHEET												VALUATION											
Year ending 30 June	Unit	2023a	2024e	2025e	2026e	2027e	Product price scenario	1			2			3									
ASSETS							4N HPAe price US\$/t	20,000			25,000			30,000									
Cash	\$m	21	35	69	34	161	HPA First project \$m				Base case												
Receivables	\$m	2	2	2	30	75	Unrisked NPV (8% discount rate)	869			1,431			1,994									
Inventories	\$m	1	2	1	6	11	Risk discount	20%															
Capital assets	\$m	38	136	459	530	527	Risked NPV	695			1,145			1,595									
Other assets	\$m	6	6	6	6	6	Other (Canada potential, 90% risked)	87			143			199									
Total assets	\$m	67	180	538	606	780	Alpha Sapphire (100 growth units, 50% risked)	171			171			171									
LIABILITIES							Other (downstream & other)	35			57			80									
Creditors	\$m	5	3	3	12	22	Corporate costs \$m	(50)															
Borrowings	\$m	-	-	300	300	300	Enterprise value \$m	938			1,467			1,995									
Provisions	\$m	-	-	-	-	-	Net debt / (cash) \$m	(33)															
Other liabilities	\$m	6	6	6	6	6	Equity valuation (risked, undiluted) \$m	971			1,500			2,029									
Total liabilities	\$m	11	9	308	318	328	Assumed capital raise \$m	125															
NET ASSETS							Assumed raise price \$/sh	0.77															
Share capital	\$m	128	253	320	320	320	Current shares on issue m	934															
Reserves	\$m	8	8	8	8	8	In the money options m	-															
Accumulated losses	\$m	(80)	(90)	(99)	(40)	124	Assumed capital raising dilution m	161															
Non-controlling interest	\$m	-	-	-	-	-	Diluted shares on issue m	1,095															
SHAREHOLDER EQUITY	\$m	56	171	229	288	452	Net debt / (cash) (including options & assumed raising) \$m	(255)															
Weighted average shares	m	839	937	1,019	1,019	1,019	Equity valuation (risked, diluted) \$m	1,193			1,722			2,250									
							Equity valuation (risked, diluted) \$/sh	1.10			1.60			2.10									

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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