



13 August 2024

Pure Hydrogen Corporation

Integrated Hydrogen Solutions

Building the Green Hydrogen Economy: Pure Hydrogen (ASX: PH2) is at the forefront of the rapidly evolving domestic and global green hydrogen industry, via the sale of a range of hydrogen fuel cell and battery electric vehicles, as well as production and supply of hydrogen and equipment via innovative “micro-hubs”. PH2’s hydrogen micro-hubs are targeted for national roll-out over time to support a vertically integrated and industry leading model as the hydrogen sector advances towards scale, supported by significant Government stimulus programs, to enable decarbonisation of heavy industry. PH2 is uniquely positioned and has a clear strategy to facilitate and support nascent demand for zero-carbon commercial vehicle fleet objectives that is clearly gaining traction within major domestic and global companies.

Vehicle Sales Pipeline Momentum Building: PH2 continues to secure additional vehicle sales into high-profile customers within the Australian market. 2 key vehicle options are leading the charge with the “Taurus” prime mover truck on trial at PepsiCo and Barwon Water, as well as multiple sales of the waste disposal vehicle option to major waste recovery companies including JJ Richards and Solo, as well as prominent local governments such as the City of Newcastle. While the sales remain trials at present, we believe that with decarbonisation targets driving decision makers and the short-comings of battery electric vehicles in industrial use-cases, hydrogen vehicles are strongly positioned to take significant market share over coming years in Australia and similarly in key overseas markets such as California in the US where subsidies are some of the highest in the world.

Capital Light Expansion Model: Supporting vehicle sales with green hydrogen supply solutions is a key enabler for PH2’s integrated strategic plan, and the initial hydrogen micro-hub at Archerfield Airport in Queensland will be a significant milestone. Stage 1 is set up as a demonstration plant and will supply nearby commercial customers (including JJ Richards) as well as aviation industry demand. As the development of this key strategic site unfolds. We expect additional sites to be secured, to support market penetration in key urban centres across Australia.

Near-Term Milestones: PH2 has begun to demonstrate strong traction in the core Australian market with customers increasingly motivated to deploy hydrogen fuel-cell vehicles within a broader fleet. In the near-term we expect to see ongoing vehicle trials emerge with large customers, as well as existing trials convert into more meaningful sales volumes. Concurrently the development of the initial hydrogen micro-hub will be a key demonstration of the capability and execution possible with the competitive edge of a nimble, innovative player looking to make strong inroads to the market over the near-term.

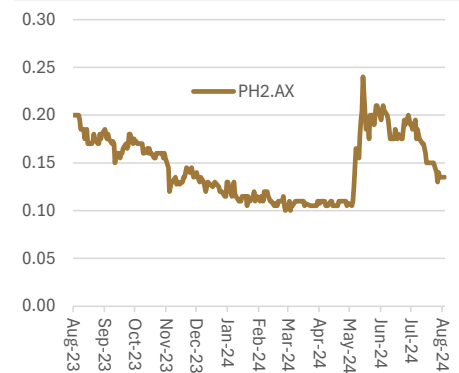
Valuation & Recommendation: PH2 provides investors with exposure to the rapidly growing hydrogen industry. We value PH2 at A\$0.39/share set based on capitalisation of EBITDA methodology and initiate research coverage with a Buy rating. Key risks include the availability of funding, competition and regulatory changes.

Rating	BUY
Target Price (AUD)	0.39
Share Price (AUD)	0.14
Forecast Capital Return	177%
Forecast Dividend Yield	0.0%
Total Shareholder Return	177%

Stock Details

Sector	Renewable Energy
ASX Code	PH2
Shares On Issue (m)	358
Market Capitalisation (A\$m)	50

Share Price Performance



Estimates	Jun-24e	Jun-25e	Jun-26e
Revenue (A\$m)	2.2	19.0	69.4
EBITDA (A\$m)	(1.5)	(0.5)	7.5
Net Profit (A\$m)	(1.6)	(0.7)	4.3
EPS (¢/share)	(0.4¢)	(0.2¢)	1.1¢
P/E (x)	n/a	(72.1)x	12.6x
EV/EBITDA (x)	n/a	(82.0)x	5.9x
DPS (¢/share)	-	-	-
Dividend Yield (%)	n/a	0.0%	0.0%

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BRIDGE STREET
CAPITAL PARTNERS

FINANCIAL SUMMARY

Pure Hydrogen Corporation Limited (PH2)

Share Price	A\$/sh				0.14
Shares on Issue	m				358
Market Cap (A\$m)	A\$m				50.2
Net Cash / (Debt) (A\$m)	A\$m				6.0
Enterprise Value (A\$m)	A\$m				44.2

Rating	BUY
Target Price	0.39
Upside / (Downside)	177%
Dividend Yield	0%
Total Return Forecast	177%

Profit & Loss	Units	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Revenue	A\$m	-	-	2.2	19.0	69.4
COS	A\$m	-	(0.0)	(1.8)	(15.9)	(57.0)
Gross Profit	A\$m	-	(0.0)	0.4	3.1	12.3
Other Income (Grants)	A\$m	0.0	6.3	2.5	1.0	-
Expenses	A\$m	(2.3)	(4.2)	(4.4)	(4.6)	(4.8)
EBITDA	A\$m	(2.2)	2.1	(1.5)	(0.5)	7.5
D&A	A\$m	(0.0)	(0.0)	(0.0)	(0.4)	(1.2)
EBIT	A\$m	(2.2)	2.1	(1.5)	(0.9)	6.3
Interest	A\$m	0.0	0.4	0.4	0.4	0.4
Minorities	A\$m	(0.3)	(1.0)	(0.5)	(0.5)	(0.5)
Tax	A\$m	-	-	-	0.3	(1.8)
NPAT	A\$m	(2.5)	1.5	(1.6)	(0.7)	4.3

Per Share Data	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Shares Out (m)	343	356	356	390	390
Weighted Average SOI (m)	334	351	356	373	390
EPS (¢)	(0.8¢)	0.4¢	(0.4¢)	(0.2¢)	1.1¢
Growth (%)	n/a	n/a	-208%	-57%	-670%
Dividend (¢)	-	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%	0%
Net Tangible Assets (A\$)	0.07	0.08	0.07	0.08	0.09
Book Value (A\$)	0.08	0.09	0.08	0.08	0.10
Free Cash Flow (A\$)	(0.01)	0.01	(0.02)	(0.01)	0.02

Cashflow	Units	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Receipts from Customers	A\$m	-	-	1.0	19.0	69.4
Payments to Suppliers & Employees	A\$m	(2.0)	(2.6)	(3.9)	(20.5)	(61.9)
Interest	A\$m	0.0	0.3	0.3	0.4	0.4
Tax	A\$m	-	-	-	-	-
Other	A\$m	0.0	6.2	(0.1)	1.0	-
Net Cash From Operations	A\$m	(2.0)	3.9	(2.7)	(0.2)	7.8
Capex & Exploration	A\$m	(0.4)	(1.7)	(1.8)	(4.5)	(1.5)
Acquisitions & Investments	A\$m	(1.6)	(0.9)	(2.2)	-	-
Other	A\$m	0.1	0.5	-	-	-
Free Cash Flow	A\$m	(3.9)	1.8	(6.7)	(4.7)	6.3
Borrowings	A\$m	0.0	-	-	-	-
Equity	A\$m	3.3	1.3	-	5.0	-
Dividend	A\$m	-	-	-	-	-
Net Increase / (Decrease) in Cash	A\$m	(0.6)	3.1	(6.7)	0.3	6.3

Valuation Metrics	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
P/E (x)	n/a	n/a	n/a	(72.1)x	12.6x
Dividend Yield (%)	n/a	n/a	n/a	0.0%	0.0%
EV / Sales	n/a	n/a	n/a	2.3x	0.6x
EV / EBITDA	n/a	n/a	n/a	(82.0)x	5.9x
EV / EBIT	n/a	n/a	n/a	(49.4)x	7.0x
EV / FCF	n/a	n/a	n/a	(9.5)x	7.0x
FCF Yield (%)	n/a	n/a	n/a	-8.6%	11.6%
Price / NTA	n/a	n/a	n/a	1.86x	1.48x

Balance Sheet	Units	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Cash	A\$m	9.5	12.6	5.9	6.3	12.6
Receivables	A\$m	0.4	0.4	0.2	1.6	5.7
Inventory	A\$m	0.0	0.0	0.0	0.0	0.0
PP&E	A\$m	0.0	-	1.8	5.9	6.2
Exploration	A\$m	12.9	13.1	13.1	13.1	13.1
Investments	A\$m	3.2	2.3	2.3	2.3	2.3
ROU	A\$m	0.1	0.1	0.1	0.1	0.1
Other	A\$m	4.2	4.9	4.9	4.9	4.9
ASSETS	A\$m	30.5	33.4	28.3	34.2	45.0
Creditors	A\$m	1.1	1.5	0.1	1.3	4.7
Borrowings	A\$m	-	-	-	-	-
Provisions	A\$m	0.8	0.8	0.8	0.8	0.8
Other	A\$m	0.1	0.5	0.5	0.5	0.5
LIABILITIES	A\$m	2.1	2.8	1.4	2.6	6.0
NET ASSETS	A\$m	28.4	30.6	26.9	31.6	39.0

Growth & Margin (%)	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Revenue Growth	n/a	n/a	n/a	764%	265%
Gross Margin	n/a	n/a	n/a	16%	18%
EBITDA Margin	n/a	n/a	n/a	-3%	11%
EBIT Margin	n/a	n/a	n/a	-5%	9%
Effective Tax Rate	n/a	n/a	n/a	58%	28%
Return on Assets	n/a	n/a	n/a	-2%	10%
Return on Equity	n/a	n/a	n/a	-2%	11%

Liquidity & Leverage	Units	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Net Cash / (Debt)	A\$m	9.5	12.6	5.9	6.3	12.6
Net Debt / EBITDA	x	4.3x	(6.0)x	4.1x	11.6x	(1.7)x
EBIT Interest Cover	x	52.0x	(5.8)x	4.0x	2.5x	(17.5)x
Net Debt / Equity	%	-34%	-41%	-22%	-20%	-32%

Key Assumptions	Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Vehicle Revenue					
Buses Delivered	-	-	2.0	10.0	40.0
Trucks Delivered	-	-	2.0	10.0	50.0
Revenue / Bus (A\$m)	-	-	0.35	0.35	0.35
Revenue / Truck (A\$m)	-	-	0.75	0.75	0.75
Revenue (A\$m)	-	-	2.2	11.0	51.5
Gross Margin (%)	-	-	20%	20%	20%
Equipment Revenue					
Equipment / Vehicles Mix	-	-	-	50%	25%
Revenue (A\$m)	-	-	-	5.5	12.9
Gross Margin (%)	-	-	-	15%	15%
Hydrogen Revenue					
Revenue (A\$m)	-	-	-	2.5	5.0
Gross Margin (%)	-	-	-	2%	2%
Total Revenue (A\$m)	-	-	2.2	19.0	69.4
Gross Profit (A\$m)	-	-	0.4	3.1	12.3



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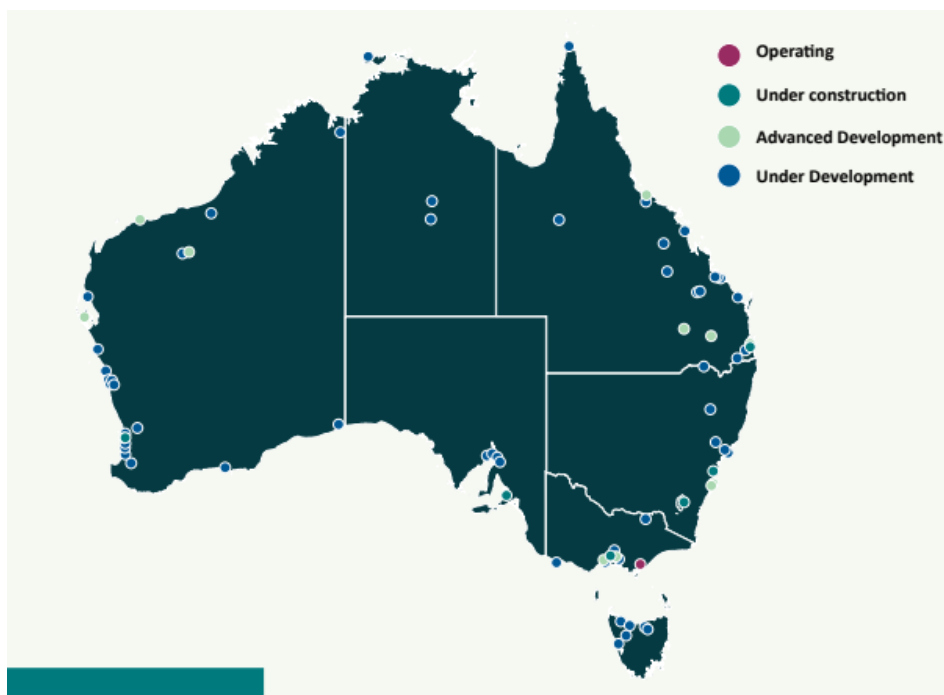


INVESTMENT THESIS

Pure Hydrogen (ASX: PH2) provides leverage to the accelerating development of the hydrogen industry in Australia and worldwide, via an established strategic position and accumulated expertise in the manufacture and supply of hydrogen, as well as the assembly and delivery of hydrogen fuel cell powered and battery electric industrial and commercial vehicles.

The Australian Federal Government has clearly positioned “green” or “renewable” hydrogen (i.e. hydrogen produced using renewable energy) as a key pillar to achieve its objective of decarbonisation in Australian industry and has a stated ambition of becoming a global leader in hydrogen supply by 2030. As per the Australian Government’s last “State of Hydrogen” report (2022) there were 100 potential hydrogen projects in the pipeline representing \$230-\$300 billion of potential hydrogen investments. The Australian Government has further indicated that this is **the largest pipeline of potential hydrogen investments in the world.**

Figure 1: Geographical distribution of hydrogen projects



Source: <https://www.dceew.gov.au/sites/default/files/documents/state-of-hydrogen-2022.pdf>

Billions of dollars of tax concessions have been provided to stimulate and incentivise development of new hydrogen supply infrastructure in Australia via various strategic planning and stimulus programs including:

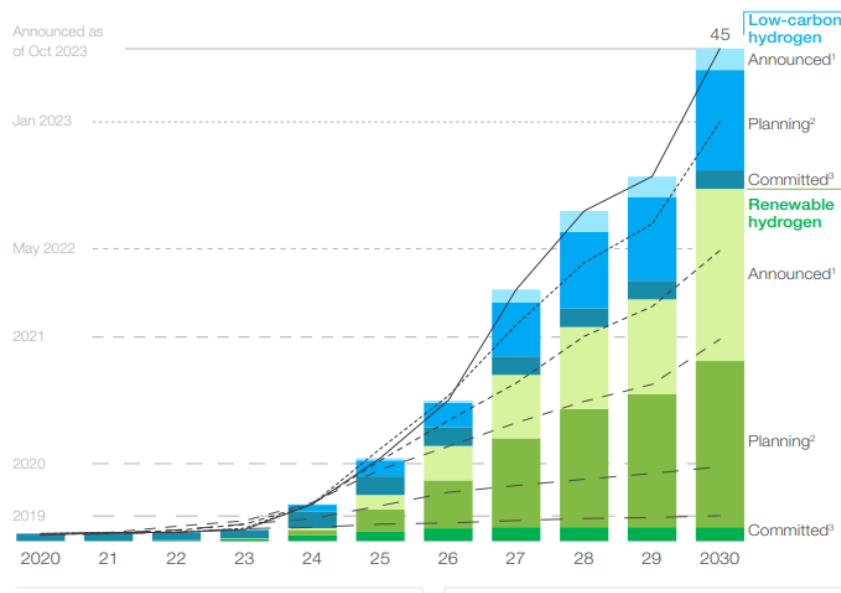
- The National Hydrogen Strategy
- The Hydrogen Headstart program
- The Future Made in Australia Package



The substantial policy emphasis being placed upon green hydrogen as a potential solution to domestic decarbonisation objectives, as well as an enabler of a future high-growth industry where Australia can become a leading global player, looks set to remain a central plank of Australia's decarbonisation objectives. As such we think there are intensifying tailwinds behind the development of the hydrogen industry in Australia over at least the next decade.

While Australia is a world leader, globally investments in hydrogen production capacity are gaining similar momentum lead by Europe and North America. As a result, globally the Hydrogen Council expects that cumulative hydrogen production capacity announced could grow to 45mt by 2030.

Figure 2: Cumulative hydrogen production capacity announced (mtpa)



Source: Hydrogen Council

PURE HYDROGEN'S STRATEGIC EDGE

PH2's strategy is to become an integrated clean energy business and Australia's leading hydrogen company. The rapidly evolving policy backdrop in Australia is dependent upon strong private sector partners who can commercialise the solutions required, and PH2 is positioned at the forefront of the domestic industry to lead the build-out of critical supply infrastructure as well as demonstrate and enable the commercial use-case of hydrogen fuel-cell vehicles.

The company is currently positioned across the following primary verticals within the hydrogen industry ecosystem:

1. Equity investments in hydrogen vehicle suppliers and the commercial delivery of hydrogen fuel-cell and battery electric vehicles
2. Ongoing service, maintenance and parts to support vehicles sold



3. Hydrogen technology partnerships with global companies
4. Capex light hydrogen production, supply and distribution solutions

Established capability to deliver hydrogen fuel cell vehicles: With equity investments in hydrogen vehicle supply companies HDrive (medium-heavy trucks & buses) and H2X (light-industrial vehicles), PH2 has secured strong partnerships in the ability to deliver high-quality hydrogen fuel cell and battery electric vehicles to customers. The key vehicles are buses, garbage trucks and prime movers. The key partnership is PH2's 60% interest in HDrive, which has an established range of hydrogen fuel cell trucks and buses designed for the Australian market. HDrive designs and contracts the assembly of vehicles to partners in Asia. PH2's controlling interest in HDrive provides strong alignment and strategic certainty, and the agreement includes global distribution rights over its fleet of >100 vehicle options.

Taurus truck launched in Australia with PepsiCo: In 2023, PH2 finalised the launch of the flagship "Taurus" prime mover truck (220kw 6 x 4 hydrogen fuel-cell) in partnership with PepsiCo Australia. The truck was a global first for PepsiCo who flagged that the availability of green hydrogen in Australia was a key reason that the Australian market was targeted for the trial. PepsiCo Australia has indicated that once the trial is completed and a commercial use-case is established, it would look to potentially replace further trucks in its existing Australian fleet of 16 together with potential suppliers of Pepsi.

H2X selected as preferred vehicle supplier to Renova Sweden: PH2 has a 17% equity interest in H2X, a supplier of light-industrial (pickups/utes and waste disposal trucks) hydrogen fuel-cell vehicles. In mid-2023, H2X secured a tender with Renova (a Swedish waste management company) to supply up to 37 hydrogen fuel cell (HFC) waste disposal trucks during calendar years 2023 and 2024 across a number of configurations such as tail lift, compactors, hook lifts and crane loaders.

Trials Proceeding with 2 x Leading Australian Waste Management Firms plus Councils: PH2 has confirmed 3 trials of its HDrive waste collection vehicles. These are with major waste management companies JJ Richards (Australian fleet of collection 2000 vehicles) and Solo (Australian fleet of collection 700 vehicles), as well as with the City of Newcastle which has a fleet of 30 garbage collection trucks. The first trial at JJ Richards is awaiting final approvals and is expected to commence in the near-term, marking an important milestone in a segment with strong potential for PH2.

Established assembly capacity of up to 200 vehicles per month: Via PH2's controlling equity stake in HDrive, PH2 states that the company has access to significant manufacturing capacity at facilities in China to supply up to 200 hydrogen fuel-cell or battery electric vehicles per month. HDrive's expertise is primarily in vehicle design, with manufacturing and assembly being contracted out to partners in China. As such as vehicle trials advance, approvals are in place and market familiarity with the technology evolves, PH2 has significant capacity to rapidly ramp-up the supply of vehicles and quickly create downstream pull for the hydrogen production and supply part of the business.



First Hydrogen Hub in Development at Archerfield Airport: In April 2024 PH2 signed a 5-year lease for a site at Archerfield Airport to develop a demonstration hydrogen production facility over a staged development. Stage 1 is expected to produce 450kg of green hydrogen per day and the site is well located to service major trucking companies nearby (including JJ Richards). The site is expected to be operational in calendar year 2025, subject to receiving approvals, with capex of \$880k earmarked for the electrolyser for Stage 1. PH2 has flagged that as additional hubs are built-out to support supply infrastructure, hybrid funding and strategic partnerships will be sought to accelerate the establishment of national supply infrastructure.

Growing International Market Opportunity: As the company has gained traction in the domestic market, planning has advanced for entry into the very large US and European markets where government support and subsidies for hydrogen in some regions are among the world's highest. We expect California to be a key initial market given the structure of government incentives for hydrogen fuel-cell vehicles there, with PH2 targeting waste disposal vehicle sales as an initial step. PH2 is looking to expand its assembly base to Australia and the US over time in addition to its existing manufacturing base in China, selling vehicles into these markets is a logical extension of the core business in Australia.

Pure Hydrogen has established a strong competitive position in a rapidly growing green hydrogen market, driven by the decarbonisation “mega-trend”. Over the near-term the company is at a significant potential inflection point as initial vehicle sales drive confidence in their commercial business case, giving way to potential larger scale orders which supports the establishment of additional hydrogen production and supply hubs over time. The continuation and/or expansion of regulatory support structures will be important in Australia to ensure green hydrogen is able to obtain scale. However, government support for hydrogen as a decarbonisation solution for industry has only intensified in recent years, and capable green hydrogen industry leaders such as PH2 are ideally positioned to unlock significant growth opportunities as leading solution providers.

KEY CATALYSTS

- Successful vehicle trials translating into additional vehicle orders
- Initial vehicle sales in key offshore markets

EARNINGS ESTIMATES & VALUATION

We value PH2 at \$0.39/share using capitalisation of EBITDA valuation methodology and initiate research with a Buy rating. Our near-term earnings estimates (see financial summary for details) are based on the following key assumptions:

- 20 vehicle deliveries in FY25 (10 buses and 10 trucks)
- Sale price of \$750k/truck and \$350k/bus
- Gross margins of 20% on vehicle sales
- Equipment sales equivalent to 50% of vehicle sales revenue in FY25 at gross margins of 15%

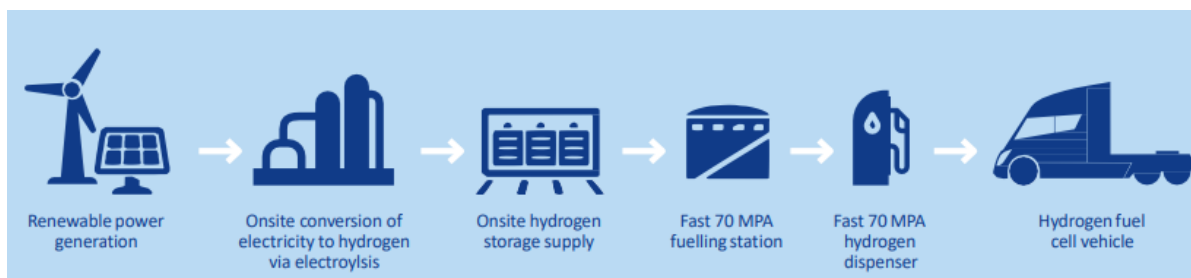


COMPANY OVERVIEW

Pure Hydrogen (ASX: PH2) was established in early 2021 from the merger of 2 other listed energy companies to form a hydrogen focused Australian east-coast energy business. With an initial emphasis on commercialising modular hydrogen generation plants utilising natural gas, the company has evolved to become focused on the significant potential in hydrogen fuel cell vehicle supply as a leading strategy to unlock scale in green hydrogen production and supply infrastructure.

The transport industry has significant potential to be an early adopter of hydrogen fuel cell technology, given the range limitations of lithium-ion battery technology which has gained traction in the personal vehicle market. Hydrogen has numerous advantages over battery electric technology, with the primary challenge being to unlock scale in vehicle and hydrogen supply to ensure long term competitive sustainability.

Figure 3: Advantages of Hydrogen for the Transport Industry



Source: Company Reports.

After undertaking significant work pursuing numerous initial options to establish an operational hydrogen footprint in Australia, the strategic focus has narrowed over the past several months and solid traction is beginning to emerge as a result. Near-term, the key strategic priorities for PH2 are as follows:

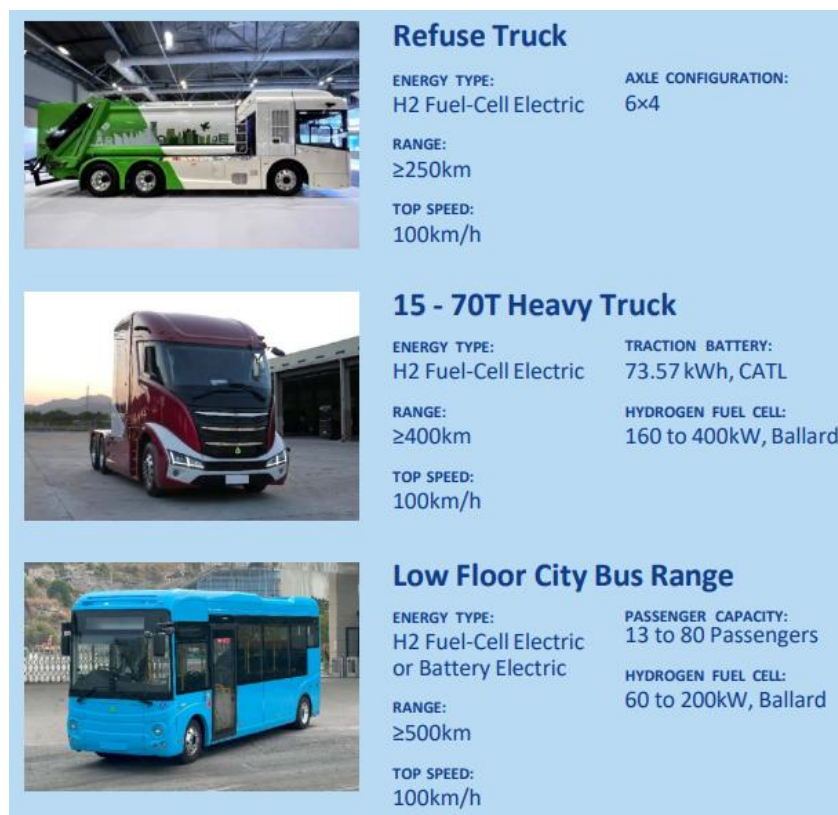
- Convert initial vehicle trials into additional orders to build in-market downstream demand for hydrogen in Australia
- Establish the first demonstration production micro-hub at Archerfield to build confidence in production and supply solutions
- Leverage intensifying government focus on hydrogen industry development to generate new customer engagement in the transport sector
- Build the pipeline of opportunities in the much larger offshore market for hydrogen vehicles, particularly California in the US.

PH2's objective is to provide an integrated hydrogen vehicle supply, fuelling and maintenance solution to potential customers via the provision of both vehicles as well as hydrogen supply solutions to support refuelling requirements. At present the strategy is focused around 3 primary vehicle types, waste trucks, prime mover trucks and a range of buses, however other vehicle options such as pickup trucks and battery electric vehicle options are also part of PH2's capabilities.



Readiness to Scale Vehicle Supply Partnerships: Via the existing supply agreements with Asian based hydrogen vehicle manufacturing capacity (HDrive and H2X) PH2 has significant flexibility in the rapid potential ramp-up of new vehicle supply in order to satisfy new customer requirements. As initial trials provide first-hand insight and understanding of the commercial potential of hydrogen vehicles within a broader existing fleet, PH2 anticipates that orders should ramp-up over the near term across the various vehicle options. Waste disposal trucks represent the most notable opportunity in FY25 given the current trials underway with JJ Richards and ongoing traction with vehicle orders. A summary of some of the key vehicles PH2 has available is depicted in the graphic below:

Figure 4: PH2's Key Hydrogen Fuel Cell Vehicle Options



Source: Company Reports

Next Generation Clean Transport Fuel - Hydrogen Fuel Cell Vehicles: Hydrogen fuel cells have become the focus for the next iteration of decarbonisation in the global automotive industry. Hydrogen fuel cells convert hydrogen into electrical energy via a chemical reaction with oxygen, with the only byproduct being water. As such they are considered to be a clean and efficient method of vehicle propulsion, with many advantages over the incumbent Electric Vehicle (EV) technology which revolves around lithium-ion battery cells. The key constraint to the rapid uptake of hydrogen fuel cell vehicles is the widespread availability of an array of vehicle models for commercial, industrial and passenger usage, as well as the establishment of sufficient hydrogen supply infrastructure at a reasonable price. Over the coming years we expect that this will



improve significantly, positioning PH2 to benefit from its existing established position at the forefront of the industry.

Continued Vehicle Sales Agreements: PH2 has announced ongoing traction in recent vehicle sales including the most recent agreement with the City of Newcastle for a waste collection truck for a 12-month trial. PH2 has flagged that the City of Newcastle has a stated intention of moving to a “net-zero carbon footprint from its vehicles and equipment” and as such the impetus to increase the usage of green hydrogen fuelled waste management trucks is high. Similarly, in April 2024 an agreement was signed for supply of a similar waste management vehicle to Solo in Adelaide. PH2 has now confirmed orders for 5 waste collection vehicles. With regards to prime movers, following the initial supply of a “Taurus” prime mover to Pepsi a further sale was executed in July 2024 with Barwon Water, Victoria’s largest regional urban water company.

Figure 5: PH2’s Current Orders for Vehicles as at 30-July-2024

KEY CLIENTS	FLEET SIZE	INITIAL ORDER	STATUS	POTENTIAL FOLLOW ON
	>15,000	1 prime mover	Under assessment ¹	10 trucks
 	200	2 mini-buses	2 delivered	16 buses
	2,000	1 refuse truck	Under assessment ¹	25 trucks
	700	3 refuse trucks	2 assembled, 1 under way	83 trucks
	Distributor	1 prime mover 1 refuse truck	In build	50 trucks
	30	1 refuse truck	Construction underway	30 trucks
	N/A	1 prime mover	Construction underway	10 trucks
	Distributor	-	Awaiting certification	100 trucks
	N/A	3 mini-buses 2 coaches 1 electrolyser 1 refueller	Construction underway	10 trucks
	Distributor	-	Awaiting certification	100 trucks

Source: Company Reports



Adjacent Potential in Electric Mini-Buses: Alongside the hydrogen fuel cell vehicle strategy, PH2 is also targeting the supply of electric mini-buses to commercial customers in Australia with the recent delivery of 2 x EV70 model buses (18 pax) to Sapphire Coast Bus lines in NSW. The order totalled \$750k and followed an in-depth period of testing. PH2 has a competitive range of battery electric and hydrogen fuel cell buses, and is expecting strong sales traction from the bus range.

Upstream Policy Momentum Gathering Pace: Recent developments in the core Australian market via Federal Government incentive schemes show an intensification of the Federal Government’s commitment to the development and expansion of a globally competitive green hydrogen industry in order to support domestic industry to decarbonise over the long-term. These incentives are important in context of PH2’s longer-term strategic goals of getting hydrogen fuel cell vehicles into the market, creating demand for upstream production and supply of the required hydrogen fuel which PH2 also intends to develop a sensible integrated hydrogen model.

Capex-light Hydrogen Micro-hubs to Unlock Supply: As the company has gained traction in the domestic market planning has advanced for the development of the initial green hydrogen demonstration micro-hub at Archerfield Airport in Queensland where a lease on a 4000 square metre site has been signed. The hub intends to supply hydrogen directly to commercial transport industry including JJ Richards as well as the aviation industry. By investing in the supply infrastructure, PH2 is enabling further vehicle sales as customers are able to be assured of access to reliable supplies of green hydrogen to satisfy fuel consumption for fleet requirements. PH2 has ordered an electrolyser which in conjunction with compression and storage infrastructure will support the establishment of this important initial facility.

Figure 6: Rendered image of PH2’s first hydrogen micro-hub at Archerfield Airport



Source: Company Reports

Growing International Market Opportunity: As the company has gained traction in the domestic market planning has advanced for entry into the very large US and European markets where government support and subsidies for hydrogen in some regions are among the worlds highest. We expect California to be a key initial market given the structure of government incentives for hydrogen fuel-cell vehicles there, with PH2 targeting waste disposal vehicle sales as an initial step.



PH2's is looking to expand its assembly base to Australia and the US over time in addition to its existing manufacturing base in China, selling vehicles into these markets is a logical extension of the core business in Australia.

Figure 7: Renewable Energy and hydrogen targets by country

Country	Renewable Energy Targets	Hydrogen-specific targets			
		FCEV Targets	Hydrogen refuelling station (HRS) Targets	Hydrogen flow (MtH2/yr)	Other
United States – Federal	20% (2020)	40,000 (2023)	100 (2023)	-	-
United States – California	100% (2045)	1 million (2030)	1,000 (2030)	-	33% green hydrogen
Germany	18% (2020)	500	100 (2019)	-	-
France	32% (2020)	50,000 (2023)	100 (2023)	-	20-40% green hydrogen
Netherlands	14.5% (2020)	2,000 (2020)	5	-	-
Norway	67.5% (2020)	50,000	200	-	-
Denmark	30% (2020)	75	10	-	-
China	770 GW (2020)	1 million (2030)	500 (2030)	0.2 (2030)	-
South Korea	11% (2030)	630,000 (2030)	520 (2030)	-	-
Japan	22-24% (2030)	800,000 (2030) and 1,200 buses (2030)	320 (2030)	0.3 (2030)	-
India	175 GW (2022)	1 million (2020)	-	-	-
Australia	33,000 GWh (2020)	-	-	0.5 (2030)	-
New Zealand	100% (2035)	-	-	0.7 (Taranaki only, 2030)	Taranaki proposes exporting around 0.5-1 GW, or 40% of production

Source: Deloitte Research & IEA: Australian and Global Hydrogen Demand and Growth Scenario Analysis (COAG Energy Council – National Hydrogen Strategy Taskforce)

Initial MOU's Offshore: In the recent quarterly report PH2 noted that an MOU had been secured with Californian based company, Riverview International Trucks, for the potential supply of HFC and BEV trucks commencing in CY 2025 subject to a due diligence process on the vehicles. In addition, a separate MOU was signed with Vietnam ASEAN Hydrogen Club, a policy group in Vietnam which targets supply of 5 buses for use in Ho Chi Minh City. Further, another MOU has been established with ARMS Group in the UAE for potential supply of BEV and HFC commercial vehicles in calendar year 2025.

Graphene Opportunity: PH2 announced that it had recently produced small quantities of graphene powder and hydrogen at a commercial demonstration plant in Brisbane, which is operated by the Turquoise Group (in which PH2 owns a 40% interest). Turquoise Group is a commercial development partner in the demonstration plant, and the recent results were highlighted by PH2 management as a key development milestone. The strategy is to commercialise technology supported by graphene sales alone, with economic upside via the additional hydrogen production. PH2 expects Turquoise Group to perform further tests and larger production runs over the near-term to further understand the potential of the technology.



Mynt Generators: Mynt Technologies (a company not owned by PH2) have developed a range of hydrogen fuel cell generators purposed for back-up power generation or as an alternative to diesel generation for continuous power supply. PH2 has leased a 50kW unit from Mynt and rented it to the Australian Meat Processing Corporation (AMPC) at an abattoir in Qld, as part of a trial in combination with the supply of the required hydrogen fuel to operate the generator. PH2 notes that AMPC may look to deploy further units over time if the trial goes well.

Figure 8: Hydrogen generation units



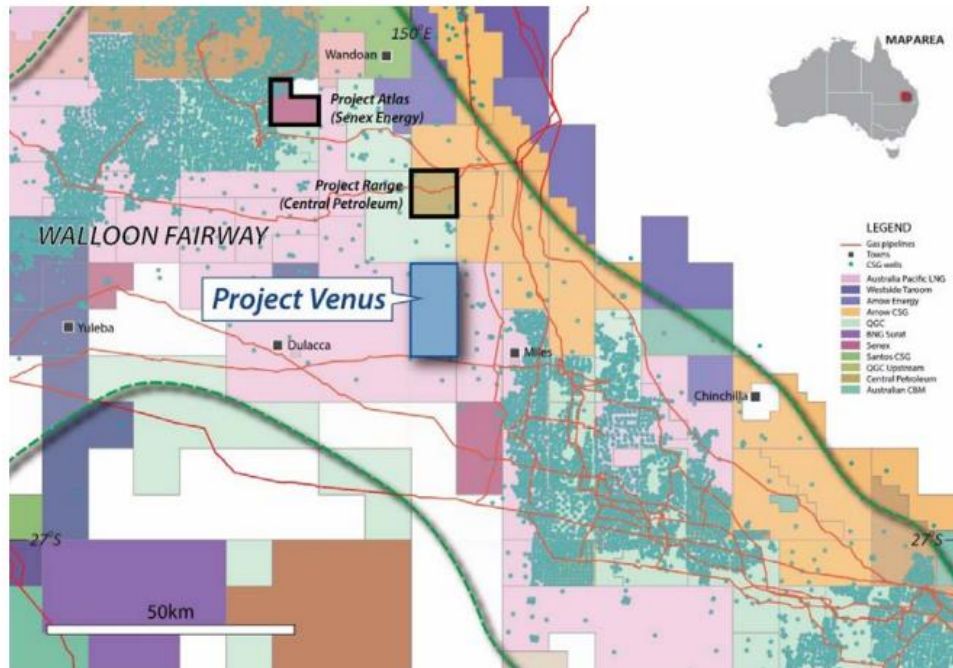
Source: Company Reports

Potential Spin-Out of Gas Projects: PH2 has 3 gas projects which provide potential value realisation to existing PH2 shareholders via a proposed spin-out of the assets into a separate listed company. Management have indicated that the potential completion of this transaction is expected to occur in FY25. A brief summary of each of PH2's gas projects is detailed below:

1. **Serowe Gas Project** – PH2 owns 20% of ASX listed Botla Energy which has a 100% interest in the Serowe gas project in Botswana.
2. **Project Venus CSG Project** – PH2 owns 100% of a Surat Basin (Queensland) based permit covering 154km² of prospective acreage within the main Walloon Coal Seam Gas Fairway and close to gas infrastructure including gas pipelines. PH2 has a stated ambition of establishing significant gas resources on this acreage, and at present there are 130PJ of 2C contingent gas resources and 536PJ of prospective gas resources on the lease.
3. **Cooper Basin Permits** – PH2 also owns a 100% interest in 2 permits located in the Cooper Basin in South-West Queensland.



Figure 9: Geographic map showing location of Project Venus



Source: Company Reports

INDUSTRY BACKDROP

Hydrogen Supply & Industrial Usage is Nothing New: Hydrogen is already produced and used widely in the present day for manufacturing in a variety of sectors including for oil refining, fertiliser and chemicals production, as well as the processing of food oils & fats. In Australia existing hydrogen production is mainly used as a chemical feedstock for the production of ammonia, which is itself a crucial chemical feedstock for industrial (mainly explosives) and agricultural (mainly fertilisers) use.

The primary method of production for most hydrogen produced currently is via a process called steam methane reforming (SMR) which uses natural gas (but can also use other fuels such as ethanol, propane or gasoline) as a source of methane and applies high-temperature steam to create a chemical reaction to produce hydrogen. Hydrogen produced using this method is referred to as “grey” hydrogen. Current production of grey hydrogen in Australia totals approximately 500,000 tonnes per annum.



Figure 10: Current grey hydrogen production in Australia

Name of operation/project	Operator	Location	Annual production (kt)	Sector
Yara Pilbara Nitrates	Yara	WA	141	Ammonia
CSBP Kwinana	Wesfarmers	WA	56.5	Ammonia
Phosphate Hill	Incitec Pivot	QLD	35.5	Ammonia
Dyno Ammonium	Dyno Nobel	QLD	37	Ammonia
Moura Ammonium Nitrate	QNP	QLD	18.5	Ammonia
Gibson Island	Incitec Pivot	QLD	53	Ammonia
BOC	BOC	QLD	0.35	Oil/Gas
Kooragang Island	Orica	NSW	79.5	Ammonia
CoreGas	Wesfarmers	NSW	1.2	Oil/Gas
BOC	BOC	VIC	20	Oil/Gas
Geelong Refinery	Viva	VIC	52	Oil/Gas
Total			494.277	

Source: State of Hydrogen report, 2022

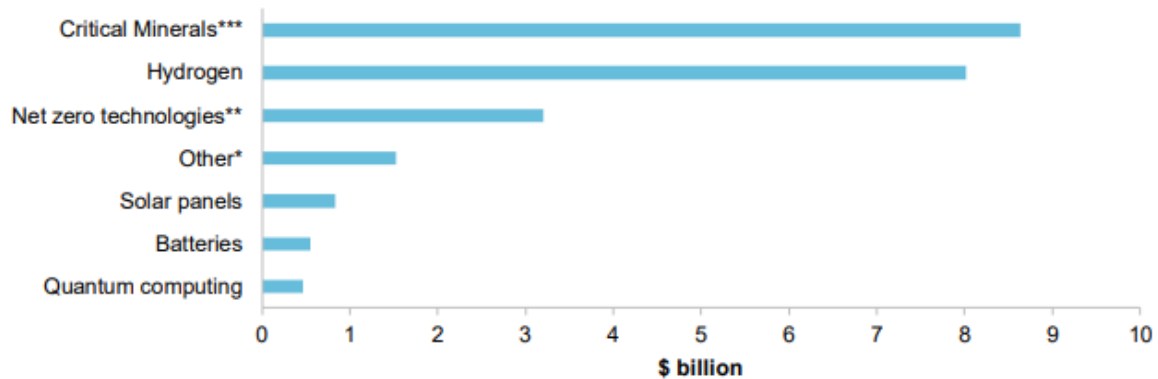
Governments are Firmly Backing Hydrogen: In Australia and offshores, significant policy-lead investment momentum has been building behind driving expansion of investments in hydrogen production and usage. In Australia both Federal and State Governments have increased the weight of policy incentives to push the expansion of the domestic hydrogen industry's production capacity over recent years, and specifically targeting what has been dubbed "green" or "renewable" hydrogen.

Future Made in Australia Policy: Political support for the development of the hydrogen industry in Australia has gathered further pace in the recent May 2024 Federal budget. As part of the budget, the Federal Government announced the "Future Made in Australia" package which plans to provide incentives of \$22.7bn over the next 10 years aimed at "maximising the economic and industrial benefits of the move to net zero and securing Australia's place in a changing global economic and strategic landscape". In essence, what this provides is tax credits to incentivise investment in hydrogen production infrastructure, in order to supply low-cost hydrogen to the domestic and export market and underpin the competitiveness of Australian industry.

Green hydrogen accounts for a large component of the \$22.7bn promised under the "Future Made in Australia" package. The Australian Federal Treasurer indicated in commentary to the National Press Club of Australia that "the majority of the \$22.7bn headline figure to be invested by the Federal Government relates to production tax credits for renewable hydrogen as well as refining and processing critical minerals".



Figure 11: Current grey hydrogen production in Australia



Source: State of Hydrogen report, 2022

Incentives of \$2/kg under the package have been made available for hydrogen projects that reach final investment decision (FID) by 2030. These are in addition to the Federal Government’s other “Hydrogen Headstart” program.

“The Hydrogen Production Tax Incentive will provide a \$2 incentive per kilogram of renewable hydrogen produced for up to ten years per project, between 2027–28 and 2039–40 for projects that reach final investment decisions by 2030.”

Source: <https://budget.gov.au/content/factsheets/download/factsheet-fmia.pdf>

Green Hydrogen is the Driver of New Supply: Green hydrogen is simply hydrogen produced using renewable energy via a process called electrolysis. In simple terms, the process of electrolysis is where an electrical current is run through demineralised water to separate it into hydrogen and oxygen. The oxygen is simply released atmospherically once separated.

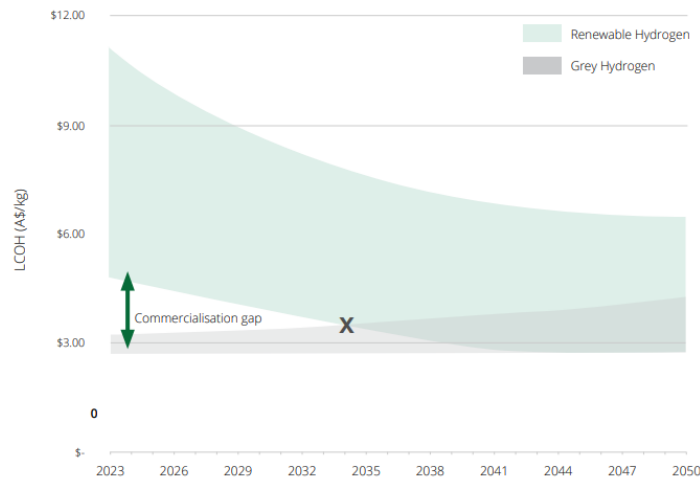
Domestic Electricity Prices are Key to Underpin Commerciality: The primary cost of production for green hydrogen is the cost of electricity. Over recent years the cost of electricity in Australia has escalated as baseload capacity has reduced and economically viable storage solutions for renewables have not yet materialised. The leading national proponent of green hydrogen production, Andrew Forrest, has recently had to moderate a commitment made to produce 15mt of green hydrogen by 2040, citing recent increases in energy prices and noting that “there is no green hydrogen without very competitive cost of electricity”. The capital cost of the production infrastructure (electrolysers) is the other factor in determining the economic rationale of potential investments in green hydrogen production capacity.

Continued Government Support is Likely: The Australian Federal Government is providing strong support for the development of Australia’s hydrogen production industry and believes hydrogen is a key solution in the future supply of low-cost energy. Continued investments and incentives by the Australian Federal Government therefore appear to be highly likely. While escalating and volatile electricity prices are a headwind, over time this is likely to attract further incentives to ensure that scale thresholds are achieved to trigger further investment in what remains a key pillar of low-carbon industrial fuel supply.



Commercialisation Gap Inflection Point: The key inflection point for the industry is the realisation of cost-competitiveness between green hydrogen and the established “grey” hydrogen supply (i.e. hydrogen produced from gas). Key factors that will achieve this include scale, improved electrolyser technologies and reductions in renewable electricity costs. Expectations are that this could occur early in the 2030’s setting the scene for first-movers to grow rapidly over an extended period.

Figure 12: Renewable hydrogen cost competitiveness over time



Source: Deloitte: deloitte-au-australias-hydrogen-tipping-point-report-updated-280223.pdf

FORECASTS

CORE REVENUE DRIVER #1: VEHICLE SALES

PH2 is targeting a ramp-up in sales of its key hydrogen fuel cell vehicles over the coming years once the various trials are completed and the appetite of each customer for ongoing displacement of their pre-existing fleets (primarily traditional diesel vehicles) is determined. Key models that we anticipate will drive sales over the near-term include:

1. Buses
2. Waste disposal trucks
3. “Taurus” prime mover truck

Gross margins on vehicle sales are estimated to be 20% which we note is broadly in line with other listed motor vehicle resellers. Management commentary indicates that pricing for the waste disposal trucks and prime mover trucks is ~\$750k/vehicle, and for buses ~\$350k/vehicle. We have relied upon this as the most clear reference point in setting expectations for near-term sales estimates.

CORE REVENUE DRIVER #2: EQUIPMENT SALES

As customers seek a wholistic service, PH2 will also supply equipment associated with the maintenance and refuelling of vehicles (such as electrolysers, storage and refuelling equipment) as well as other ancillary hydrogen fuelled equipment such as generators. A recent example of this is the MOU signed with the Vietnam ASEAN Hydrogen Club which



includes the supply of vehicles but also associated equipment. We understand gross margins will be lower vs vehicle sales with management commentary indicating expectations of ~15%.

CORE REVENUE DRIVER #3: HYDROGEN SALES VIA MICRO-HUBS

Over the medium-term, the establishment of micro-hub supply infrastructure facilities will produce and sell the hydrogen required to fuel vehicles. In the short-term PH2 will resell hydrogen from third party suppliers.

Management have indicated that an expanding network of hydrogen micro-hub facilities is targeted over the next 5 years with capital expenditure for facilities beyond Archerfield to be funded in partnership with customers or other strategic partners. The initial facility being established at Archerfield Airport in Queensland is being funded by PH2 for the initial Stage 1 target production of 420kg of green hydrogen per day.

BSCP FORECASTS

PH2's strategy over the near-term is to drive momentum in vehicles and equipment sales with customers both domestically (Australia) and offshore, as well as establish the initial demonstration micro-hub at Archerfield and solidify the plan to execute on additional sites to supply major customers in key markets.

Revenue is only recognised on the delivery of vehicles, and lead-time from orders to deliver is ~4 months for buses and ~7 months for trucks.

Our key assumptions include:

- 20 vehicle deliveries in FY25 (10 buses and 10 trucks)
- Sale price of \$750k/truck and \$350k/bus
- Gross margins of 20% on vehicle sales
- Equipment sales equivalent to 50% of vehicle sales revenue in FY25 at gross margins of 15%
- Hydrogen and maintenance sales of \$2.5m at gross margins of 2%
- Looking further out in FY26 we assume strong growth as the technology gains acceptance in the market and PH2 develops a reputation as a leading supplier.

Incorporating all of the above summarised background information we adopt the following sales growth forecasts over the near-term:



Figure 13: BSCP near-term forecasts

Key Assumptions	Jun-24e	Jun-25e	Jun-26e
Vehicle Revenue			
Buses Delivered	2.0	10.0	40.0
Trucks Delivered	2.0	10.0	50.0
Revenue / Bus (A\$m)	0.35	0.35	0.35
Revenue / Truck (A\$m)	0.75	0.75	0.75
Revenue (A\$m)	2.2	11.0	51.5
Gross Margin (%)	20%	20%	20%
Equipment Revenue			
Equipment / Vehicles Mix	-	50%	25%
Revenue (A\$m)	-	5.5	12.9
Gross Margin (%)	-	15%	15%
Hydrogen Revenue			
Revenue (A\$m)	-	2.5	5.0
Gross Margin (%)	-	2%	2%
Total Revenue (A\$m)	2.2	19.0	69.4
Gross Profit (A\$m)	0.4	3.1	12.3

Source: BSCP

VALUATION SUMMARY

We have adopted capitalisation of EBITDA valuation methodology as our primary valuation framework for PH2. Given the early stage, high growth strategy being undertaken by the company, we have focused our key EBITDA estimate 5-years forward (FY29).

MARKET SIZE - AUSTRALIA

The current size of the market for sales of trucks, vans and buses in Australia is a key reference point for our assumptions and is summarised below:

Figure 14: Truck, Van & Bus Sales – Australia, 2023

Truck, Van & Bus Sales - Australia	Units	CY23
Heavy Duty Trucks	#	17,569
Medium Duty Trucks	#	8,004
Light Duty Trucks	#	16,166
Vans	#	6,018
Buses	#	1,387
Total	#	49,144

Source: Truck Industry Council, Australian Bus & Coach

With reference to the above we have assumed the following in FY29:

- Australian truck, van and bus market size of 57,000 units in FY29, based on 2.5%pa growth rate from 2023 actual data



PH2 MARKET SHARE

We have assumed the following in FY29:

- HFC & BEV market share in FY29 of Australian truck, bus and van sales of 10%
- PH2 market share of HFC & BEV unit sales (Australia only) of 10%

PH2 SALES MIX & MARGINS

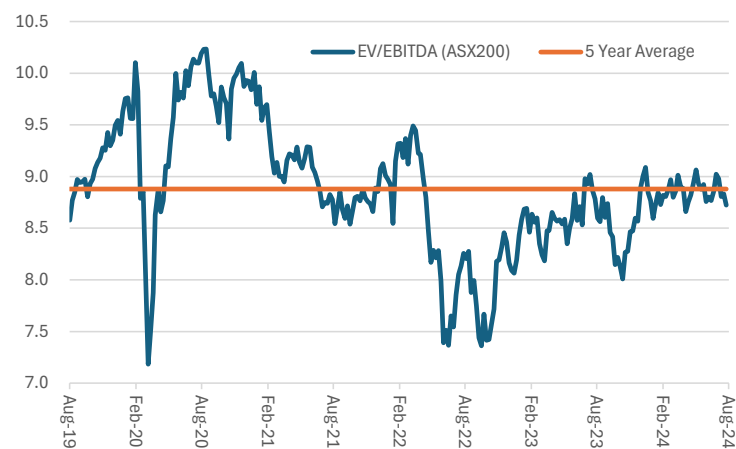
We have assumed the following in FY29:

- PH2 sales mix of 50/50 buses/trucks
- PH2 sale price of \$750k/truck and \$350k/bus
- Gross margins of 20% on vehicle sales
- Equipment sales estimated at 25% of vehicle sales revenue at gross margins of 15%
- Hydrogen, maintenance and other sales estimated at \$25m

EBITDA MULTIPLE SELECTION

In selecting an appropriate EV/EBITDA multiple to apply, we firstly note the ASX200 Index has traded at an average EV/EBITDA multiple of 8.9x over the past 5 years (see chart below).

Figure 15: ASX200 Index - EV/EBITDA Multiple, 5 years historical



Source: BSCP, Factset

We have selected 4.5x as an assessed multiple to capitalise our FY29 EBITDA estimate. There are few direct comparable companies to PH2 listed on the ASX however we note that established motor vehicle sales companies as well as energy companies trade at EV/EBITDA multiples of 5-7x. As such our assessed multiple is below the bottom end of this range, reflecting the earlier stage higher risk nature of PH2 relative to larger more established listed companies, and a ~50% discount to the observed 5-year average EBITDA multiple of the ASX 200 index.

OTHER ASSUMPTIONS

- PH2 corporate overheads in FY29 of \$25m



- PH2 reported cash of A\$6.0m (nil debt) at 30-June-24. We expect additional equity financing will be required in the near-term to support working capital requirements and capex at Archerfield. We have assumed an additional equity raising in FY25 of \$5m at 15¢/share in our model
- Discount rate of 15%
- Offshore opportunity crudely valued at 25% of the Australian valuation, noting the much larger market opportunity but earlier stage and elevated risk for PH2

A summary of our valuation is outlined below:

Figure 16: BSCP valuation summary

Segment	Gross Profit Estimate	Units	FY29e	EBITDA Estimate	Units	FY29e
Vehicles				EBITDA Estimate		
Trucks, Vans & Bus Sales - AU Market Size		#	57,000	Vehicle Sales - Gross Profit	A\$m	62.7
HFC & BEV Share		%	10%	Equipment Sales - Gross Profit	A\$m	11.8
HFC & BEV Units Sold - AU Market Total		#	5,700	Hydrogen & Other Sales - Gross Profit	A\$m	0.5
PH2 Market Share (Australia only)		%	10%	Group Gross Profit - FY29e	A\$m	75.0
PH2 Units Sold (Australia only)		#	570	PH2 Overheads - FY29e	A\$m	(25.0)
- PH2 % Mix Sold - Buses		%	50%	Group EBITDA - FY29e	A\$m	50.0
- PH2 % Mix Sold - Trucks		%	50%	Capitalisation of EBITDA - PH2 Australia		
Buses Sold (units)		#	285	EBITDA Target - FY29	A\$m	50
Trucks Sold (units)		#	285	Assessed EBITDA Multiple	x	4.5x
Revenue / Bus (A\$m)		A\$m	0.35	Enterprise Value	A\$m	225
Revenue / Truck (A\$m)		A\$m	0.75	Add: Net Cash (FY24e)	A\$m	5
Revenue (A\$m)		A\$m	314	Equity Value	A\$m	230
Gross Margin (%)		%	20%	Shares on Issue	m	358
Gross Profit (A\$m)		A\$m	62.7	Options & Rights	m	10
Equipment (generators, compression, storage)				Other Equity (Additional Raise)	m	33
Equipment Sales Revenue / Vehicle Sales Revenue		%	25%	Fully diluted SOI	m	402
Revenue (A\$m)		A\$m	78	Equity Value	A\$/sh	0.57
Gross Margin (%)		%	15%	Discount Factor	:	0.54
Gross Profit (A\$m)		A\$m	11.8	Present Value (PV)	A\$m	0.31
Hydrogen, Maintenance & Other				Sum-of-the-Parts		
Revenue (A\$m)		A\$m	25	Australia	A\$/share	0.31
Gross Margin (%)		%	2%	Offshore Opportunity (25% of Australian valuation)	A\$/share	0.08
Gross Profit (A\$m)		A\$m	0.5	PH2 Valuation Per Share	A\$/share	0.39

Source: BSCP

TARGET PRICE & KEY RISKS

We set our 12-month target price equal to the valuation derived in the analysis presented above of A\$0.39/share. Key risks include access to funding, competition and regulatory risks.



BOARD OF DIRECTORS

Adam Giles – Non-Executive Chairman

The Hon. Adam Giles was the 10th Chief Minister of the Northern Territory and held office from 2013 till 2016. During his political career, Adam held the portfolios of Northern Australia, Major Projects, Economic Development, Indigenous Affairs, Transport & Infrastructure and Treasury.

As the head of multiple government portfolios, Adam initiated several major infrastructure projects, including the rollout of solar power to Indigenous communities and the establishment of the interstate gas pipeline between the Northern Territory and Eastern Australia.

Since leaving politics, Adam has held several senior corporate roles, including a long-term engagement with Hancock Prospecting, where he is currently the Interim CEO of Hancock Agriculture and S Kidman & Co. Adam is also the Non-Executive Chairman at ASX-listed Locksley Resources and Non-Executive Director of unlisted Norcliffe Mining Services.

Scott Brown – Managing Director

Scott has over 25 years' experience as a Director and Executive in public companies. Prior to Pure Hydrogen Scott was instrumental in the listing of several companies including Real Energy and Objective Corporation (ASX: OCL). Scott was the CFO of Mosaic Oil, a public Australian company with an extensive range of oil and gas production and exploration. He was also CFO/Finance Director of Allegiance Mining NI and Objective Corporation. He is also a non-executive director of H2X Global and Trisil Group, while also a member of the Institute of Chartered Accountants and the Petroleum Exploration Society of Australia

Lan Nguyen – Non-Executive Director

Lan has over 25 years' experience in petroleum exploration, development and production in Australia and internationally. Previously as Managing Director of ASX-listed Mosaic Oil, he transformed the company from a speculative petroleum explorer to a successful petroleum production company.

Ron Prefontaine – Non-Executive Director

Ron Prefontaine has over 40 years' experience in the oil and gas industry and is the Chairman of Pure Energy Board of Directors. Between 2001 and 2011 he was an Executive and Managing Director of two successful ASX-listed companies, Arrow Energy and Bow Energy. Arrow Energy was taken over in 2010 for \$3.5 billion and Bow Energy in late 2011 for \$550 million. Ron received his BSc in Geophysics from the University of British Columbia in 1979. His strengths are asset growth recognition and the management of corporate growth. In 2009 Ron received a lifetime achievement award in recognition to his services to the Australian petroleum industry.



RISKS

The following risks are important factors for investors to be mindful of when considering an investment in shares of the company. This list is by no means exhaustive and should be read carefully in conjunction with the body of the report.

Limited History

PH2 has a limited history and track record. Past growth rates may not be a reliable indication of future growth rates.

Customer Relationships

The growth of PH2 depends in part on increasing the number of its customers, retaining existing customers and increasing sales volumes to new and existing customers. The ability to maintain levels of customer numbers, or to increase the number of customers, could require margins to be lower than expected and materially or adversely affect operating results.

Supplier Relationships

PH2 is dependent on ongoing relationships with key suppliers, including vehicle and parts manufacturing partners. Termination of, or failure to renew agreements with key suppliers could have a material adverse effect on PH2's operations and financial position.

Competition Risk

Competition from suppliers that offer superior or cheaper vehicles could negatively impact PH2's revenue and growth.

Changes to Laws & Regulations

PH2 is subject to local laws and regulations in each jurisdiction in which it operates its business. Changes in or extensions of laws and regulations affecting PH2's business could restrict or complicate PH2's operations. In conducting its operations, the Group is required to comply with a range of laws and regulations. A failure to comply with applicable laws and regulations could result in restrictions or fines being imposed on the Group, or legal proceedings being commenced against the Group.

Technology Risks

A failure by PH2 to adapt to technological changes could have an adverse effect on the business, operating results and financial position. The hydrogen industry continues to experience rapid technological change and development. PH2 is at risk from major technological improvements in alternative hydrogen production processes or fuel cell designs, or on its ability to access and adapt to technological changes in a cost-effective manner.

Catastrophic Loss

Computer viruses, fire and other natural disasters, break-in or other security problems, a failure of power supply, information systems, hardware, software or telecommunication systems or other catastrophic events could lead to interruption, delays or cessation in PH2's customers and subsequent adverse impact on PH2's revenue.

Acquisitions

PH2's strategic targets may be impacted if it is unable to find suitable businesses and acquire them on reasonable terms. Once acquired, businesses might perform worse than expected. As part of its growth strategy, PH2 may make further acquisitions of complementary businesses or enter into strategic alliances with third parties. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies or assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, and retaining key staff.

Growth

There is a risk that PH2 may be unable to grow its business through acquisition of new customers or increasing revenue generated from existing customers. A lack of growth may cause future losses.



International Expansion

PH2 has and will continue to attempt to acquire customers in foreign jurisdictions. There is no guarantee that PH2 will be able to retain or continue to grow its revenues in those jurisdictions. As PH2 expands into existing or new jurisdictions, there are risks that these initiatives may result in additional operating complexities, new and unique regulatory requirements, unforeseen costs, failure to achieve expected revenue or to achieve the intended outcomes.

Insurance

PH2 may incur losses against which it cannot be protected or claims that are refused. If PH2 incurs uninsured losses or liabilities, its business may be materially, adversely affected.

Requirement to Raise Additional Funds

PH2 may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be un-satisfactory.

Economic Risks

PH2's performance will be dependent on the general conditions and outlook of the local and global economies. These economies may in turn be affected by levels of business spending, inflation, interest rates, exchange rates and access to debt and capital markets. A prolonged or significant downturn in general economic conditions may have a material adverse impact upon PH2's financial performance.

Reliance on Key Management

PH2's success relies to a significant extent on its key technical experts, management and staff. There is a risk that PH2 may not be able to find similarly skilled replacements should any of these individuals be unable to fulfil their roles.

Other Risks

There are a range of other risks with respect to the industry in which the Company operates and general investment risks, many of which are largely beyond the control of the Company and its Directors.



Appendix 1

By downloading this report you acknowledge receipt of our Financial Services Guide, available on our web page www.bridgestreetcapital.com.au.

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Daniel Seeney, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has over 15 years investment experience in wholesale capital markets. He worked as an equity research analyst for J.P. Morgan, Citigroup & Investors Mutual Limited. He now provides equity research services. He may own securities in companies he recommends but will declare this when providing advice. He does not own shares in PH2. He is paid a fee for providing this report. BSCP are Corporate Advisors to PH2 and receives fees from services provided. BSCP, its directors and consultants may own shares and options in PH2 and may, from time to time, buy and sell the securities of PH2.

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