

1414 Degrees Limited

Evolution from technology developer to provider of decarbonised energy solutions

1414 Degrees Ltd. ("14D") released its quarterly report for the period ending 31 March 2025, outlining its transition from a pure technology developer to a full-service provider of decarbonised energy solutions. Central to this transition is the Heat-as-a-Service ("HaaS") model, through which the Company intends to deliver low-emission heat under long-term contracts similar to electricity supply agreements. During the quarter, ongoing discussions with prospective customers and design refinements advanced the commercial readiness of the SiBox®, while completion of pre-commissioning tests of the SiBrick-Integrated Pyrolytic Hydrogen Reactor ("SiPHyR™") Stage 1 prototype positions it for start-up in Q4 FY25. Elsewhere, generator due diligence for the Aurora Battery Energy Storage System ("BESS") moves the project forwards to grid connection. Near term catalysts include the final connection agreement for the Aurora BESS and commissioning of the SiPHyR prototype reactor. As at 31 Mar'25, the Company held A\$2.64m in cash. We believe 14D remains undervalued with 348% upside potential to our updated target valuation of A\$0.081.

Pathway to commercial deployment of SiBox

Pre-feasibility assessments for larger-scale SiBox installations across various industries progressed during the quarter, supporting the transition to full commercial adoption. The Company is also working with suppliers to refine the SiBox design specifications, with the aim of improving manufacturing efficiency and reducing production costs. Additional testing of the SiBrick™ under real-world operating conditions confirmed its energy storage capability and reliability, while development of next-generation SiBrick variants tailored to specific industrial applications continued. In line with the 2021 agreement with Woodside Energy, 14D has submitted a 20-year unit sales forecast for the SiBox. Upon review, Woodside will evaluate further funding options, including acquiring an equity interest in the business.

SiPHyR prototype testing underway; Commissioning targeted for Q4 FY25

14D continues to develop the SiPHyR project towards prototype start-up, with pre-commissioning tests underway. The next phase involves commissioning the Stage 1 prototype reactor, scheduled for Q4 FY25. During the quarter, the Company conducted catalyst testing in an atmospheric reactor to support the efficient and reliable operation of the SiPHyR system. In parallel, a prototype of the gas-sparging system was designed, built and tested. As a key component of the methane pyrolysis process, the gas-sparging system injects methane into the reactor and will be integrated into the SiPHyR Stage 1 prototype.

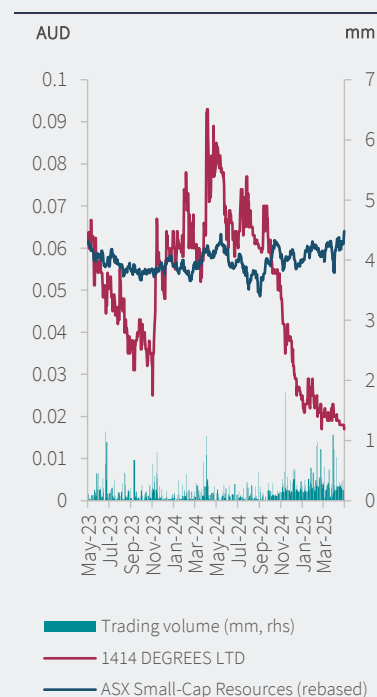
Valuation: A\$0.081/sh target valuation for 348% upside potential

We have updated our model, pushing back first commercial revenue from 2026 to 2027 and rolling our valuation date to Jun'26 from Jun'25. Based on the average share price since entering the Lind agreement, we now assume the shares are issued at a weighted average of A\$0.025/sh (vs A\$0.06/sh), driving increased dilution. This delivers a risked valuation of A\$0.081/sh, down from A\$0.104/sh, although still 348% above the current share price. We acknowledge both Aurora and SiPHyR could drive a significant further uplift to our valuation. Additionally, as 14D transitions to a solutions provider, selling a "heat product", we expect the value proposition to evolve: while we continue to model 14D based on SiBox revenue, moving forward we believe sales may be a blend of SiBox and heat as a service, with the company's innovative technology driving cost advantages.

GICS Sector	Energy
Ticker	ASX:14D
Market cap 12-May-25 (US\$m)	3.3
Share price 12-May-25 (A\$)	0.018
Target valuation Jun-26 (A\$)	0.081

+348%

Upside from current share price to our A\$0.081/sh risked NPV



Source: Bloomberg

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Valuation

We have updated our model, pushing back first commercial revenue from 2026 to 2027 and rolling our valuation date to Jun'26 from Jun'25. Based on the average share price since entering the [equity funding agreement](#) of up to A\$4.7m with Lind Global Partners II LP in September 2024, we now assume the shares are issued at a weighted average of A\$0.025/sh (vs A\$0.06/sh), driving increased dilution. This delivers a risked valuation of A\$0.081/sh, down from A\$0.104/sh, although still 348% above the current share price. We do not currently include any contribution from the Aurora JV due to a lack of clarity on the economics of the project and we also do not include any value for the SiPHYR project, due to its current technology readiness. However, we acknowledge both Aurora and SiPHYR could drive a significant further uplift to our valuation. Additionally, as 14D transitions to a solutions provider, selling a "heat product", we expect the value proposition to evolve: while we continue to model 14D based on SiBox revenue, moving forward we believe sales may be a blend of SiBox and heat as a service, with the company's innovative technology driving cost advantages.

Valuation / Price Target Derivation				
AUD		Unrisked	CoS	Risked
SiBox License Fee	A\$m	92	0.3	28
SiBrick Sales Royalty	A\$m	6	0.3	2
Cash and committed grants	A\$m	5.1	1.0	5.1
Total company value	A\$m	103		35
Number of shares outstanding	m	419		419
NPV / Target Price per share - undiluted	A\$ cents	25		8.2
Shares issued if options exercised	m	10		10
NPV / Target Price per share - diluted	A\$ cents	24		8.1
Current share price	A\$ cents	1.8		1.8
Upside/downside from current share price	%	1237%		348%

Source: H&Pe

Summary Financial Statements

Income statement									
Year end June (AUD m)		2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Other Income	A\$m	0.1	0.0	-	-	-	-	-	-
Royalty from Sibrick Sales	A\$m	-	-	-	-	0.0	0.1	0.2	0.2
Royalty from SiBox installations	A\$m	-	-	-	-	0.0	0.2	0.6	1.1
Total Revenue	A\$m	0.1	0.0	-	-	0.1	0.3	0.7	1.3
Research and Development Expenses	A\$m	-	-	-	-	-	-	-	-
G&A expenses	A\$m	(1.2)	(1.3)	-	-	(0.1)	(0.2)	(0.4)	(0.5)
Depreciation	A\$m	(0.0)	(0.0)	-	-	-	-	-	-
Directors Fees	A\$m	-	-	-	-	(0.4)	(0.4)	(0.4)	(0.4)
Other Expenses	A\$m	(0.3)	(0.6)	-	-	-	-	-	-
Finance Costs	A\$m	(0.0)	(0.0)	-	-	-	-	-	-
Earnings Before Tax	A\$m	(1.5)	(2.0)	-	-	(0.3)	(0.2)	0.0	0.4
Income tax benefit / (expense)	A\$m	-	-	-	-	-	-	-	-
Net Profit	A\$m	(1.5)	(2.0)	-	-	(0.3)	(0.2)	0.0	0.4

Cash flow statement									
		2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Cash flow from operations	A\$m	(2.0)	(2.1)	-	-	(0.3)	(0.2)	0.0	0.4
Cash flow from investing	A\$m	0.7	1.3	(1.1)	(1.1)	(2.5)	(2.5)	(2.5)	(2.5)
Cash flow from financing	A\$m	0.0	1.1	4.1	1.3	-	-	-	-
Net changes to cash	A\$m	(1.3)	0.3	3.0	0.2	(2.8)	(2.7)	(2.5)	(2.1)
Forex adjustments	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash at the beginning of the period	A\$m	3.5	1.9	1.7	4.9	5.1	2.3	(0.4)	(2.9)
Cash at the end of the period	A\$m	2.2	2.3	4.7	5.1	2.3	(0.4)	(2.9)	(5.0)

Balance sheet									
		2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Cash	A\$m	1.9	1.7	4.9	5.1	2.3	(0.4)	(2.9)	(5.0)
Receivables	A\$m	2.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other	A\$m	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Current Assets	A\$m	4.6	5.3	8.4	8.7	5.9	3.1	0.6	(1.4)
PP&E and Investments	A\$m	2.2	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Others	A\$m	2.9	2.0	3.1	4.1	6.6	9.1	11.6	14.1
Non-Current Assets	A\$m	5.1	4.0	5.0	6.1	8.6	11.1	13.6	16.1
Total Assets	A\$m	9.7	9.2	13.5	14.8	14.4	14.2	14.2	14.6
Trade payables and leases	A\$m	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other current liabilities	A\$m	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Current Liabilities	A\$m	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Provisions	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Leases	A\$m	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Non-Current Liabilities	A\$m	0.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total Liabilities	A\$m	0.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Net Assets	A\$m	9.1	7.6	11.8	13.1	12.8	12.5	12.5	13.0
Equity	A\$m	33.0	34.3	38.4	39.7	39.7	39.7	39.7	39.7
Reserve	A\$m	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated losses	A\$m	(24.3)	(26.8)	(26.8)	(26.8)	(27.2)	(27.4)	(27.4)	(27.0)
Total Equity	A\$m	8.8	7.5	11.6	12.9	12.5	12.3	12.3	12.7

Source: H&Pe

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