

Best Buys

December 2017



Analyst
Various

Date
4th December 2017

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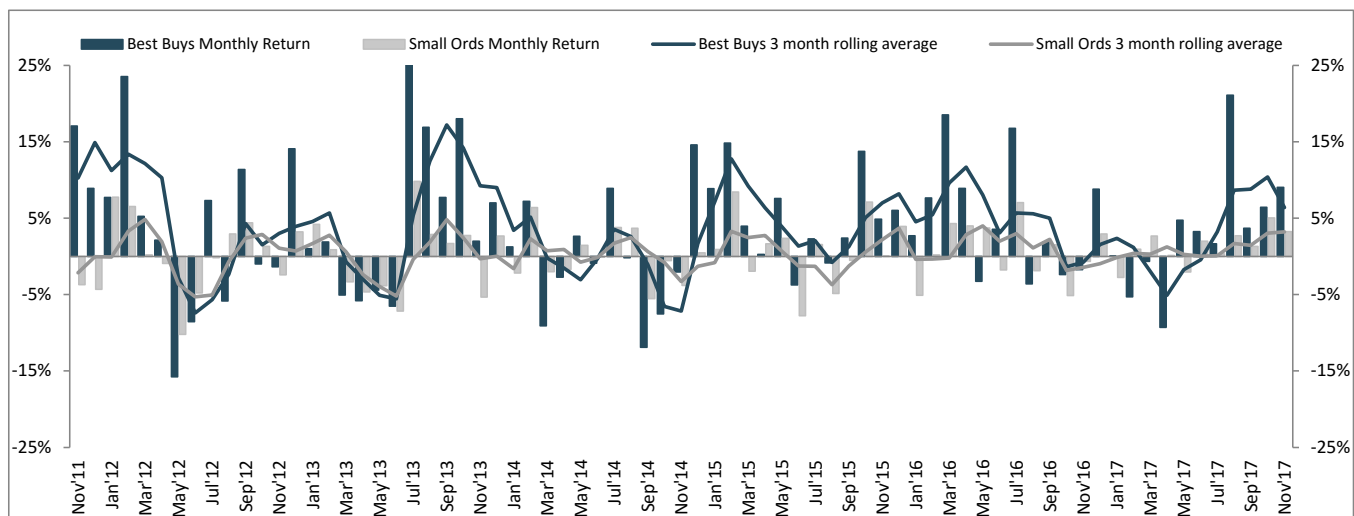
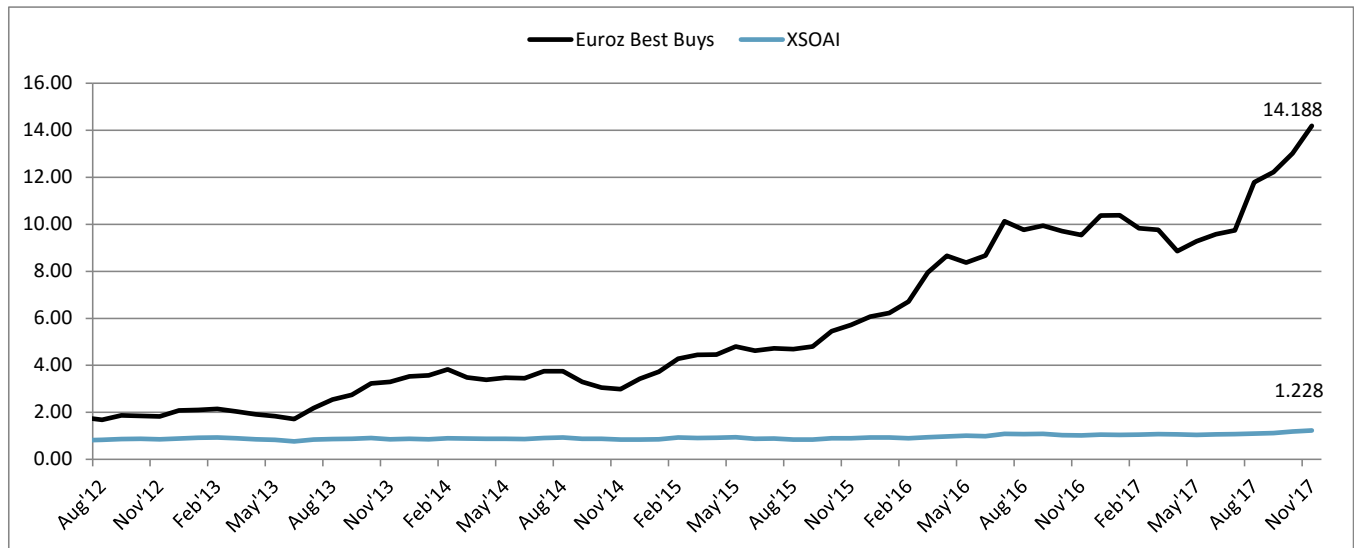
Euroz Securities Best Buys note highlights the best trading ideas as recommended by the research analysts from our coverage universe at the beginning of each month. Best Buys recognises the catalysts and fundamental value that are expected to drive outperformance in the SHORT TERM.

The analysts identified in this note declare that they do have a beneficial interest in AWE Ltd and Emerald Resources NL.

The Euroz Best Buys have been a consistent outperformer over the ASX Small Ordinaries Accumulation Index (XSOAI) since inception in 2011.

Best Buys for December 2017

- AWE Ltd (AWE \$0.69) Buy
- Emerald Resources NL (EMR \$0.045) Speculative Buy
- Genex Power Ltd (GNX \$0.385) Speculative Buy
- Zenith Energy Ltd (ZEN \$0.745) Buy



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Best Buys

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AWE Ltd (AWE \$0.69) Buy

Analyst: Jon Bishop

- AWE has received a conditional indicative and non-binding cash offer of \$0.71/sh for 100% of the Company;
- This compares to the \$0.80/sh conditional cash offer made by Lonestar in May 2016;
- Since the Lonestar bid the Waitsia asset has grown nearly 3 fold in size and has been derisked and advanced technically and commercially;
- Therefore we do not expect this to be last offer or even approach from third parties: Rarely do tier 1 assets remain in small companies;
- Waitsia now offers over 20yrs of production at the targeted 100tj/d Stage 2 rate and at lowest quartile operating costs;
- Organic catalysts in the near term - further reserve increases, GSAs and feasibility detail - will only build on the story;
- Given its location to a market facing falling domestic supply from 2020, it is of key strategic value and therefore will see the downstream ensure it's developed in the current timeframe proposed;
- Buy \$0.90/sh PT.



Emerald Resources NL (EMR \$0.045) Speculative Buy

Analyst: Andrew Clayton

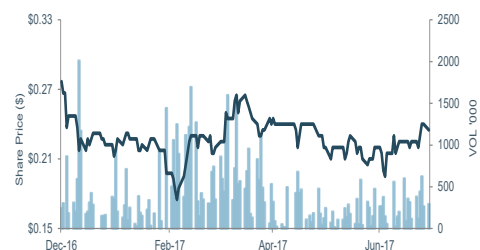
- EMR has signed an Environmental Contract with the Cambodian Ministry of Environment providing environmental approval for the Okvau project.
- The agreement is a monumental step toward an Industrial Mining Licence (ML), which EMR now expects to be granted in the next few weeks.
- Due diligence is currently progressing with a debt financier and if successful, it will see the majority of development costs for Okvau being funded.
- If funding is agreed before year end, we believe construction could start in Q1 CY'18 with commissioning and first gold pour expected 12-15 mths later.
- Okvau is a robust project with production of >100koz pa @ AISC of US\$ 731/oz for 7+ yrs with a capital cost of US\$98m.
- EMR are on the cusp of development and with a management team capable of taking this project all the way through to production.
- We maintain a Price Target of \$0.09/sh.



Genex Power Ltd (GNX \$0.385) Speculative Buy

Analyst: Jon Bishop

- GNX 's Kidston Renewable Power Hub aligns with State and Federal Govt. agenda for an increase in renewable energy contribution to the domestic electricity market. Stage development is driven by Govt. funding and guaranteed revenue agreements established for Kidston.
- Stage 1 50MW Solar has 30yr life and first revenues are expected this month, with \$12m/yr guaranteed by the Govt.
- Stage 2 consists of 250MW Solar Project & 270MW Pumped Hydro Storage. Offtake is expected mid-FY'18, financing by mid CY'18 and has a 30-60+yr operating life from CY'20.
- Stage 2 completion drives a 10x uplift in forecast EBITDA equating to an est. EV:EBITDA of 6x by FY'22. Peer multiples are closer to 12x whilst Pacific Hydro and Duet transactions capitalised future earnings at 15x: this is the ultimate strategy.
- We maintain our Speculative Buy recommendation with a \$0.54/sh Price Target.



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Zenith Energy Ltd (ZEN \$0.745) Buy

Analyst: Ben Laird

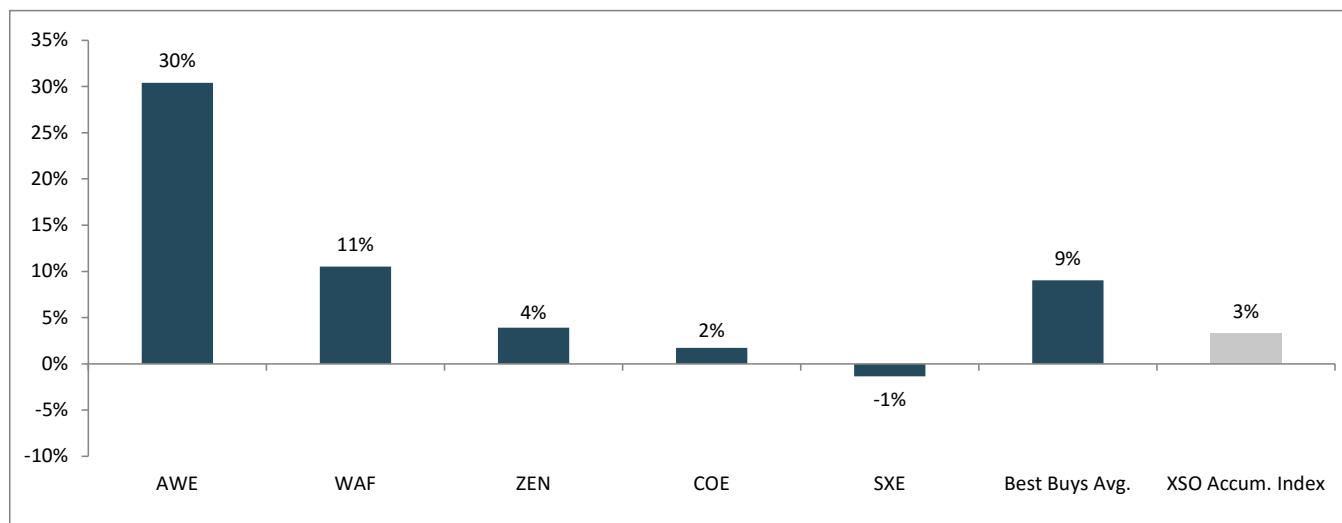
- ZEN has been advised by Newmont (NEM) that it has been selected as the preferred bidder for a Build Own Operate (BOO) contract for a 62MW power station at the Tanami Gold Project.
- This project is the single biggest contract win in ZEN's history.
- The tendered Power Purchase Agreement (PPA) is for 10 years.
- It is expected the PPA will be finalised and signed in the next few weeks.
- The power station is expected to be commissioned in Mar Q 2019.
- This contract will materially impact FY'20 earnings with a full year contribution from the site expected in FY'21. We view our forecasts and valuation with upward bias.
- This single contract has increased ZEN's BOO asset base by greater than 50% to 172MW (prev 110MW).
- We understand ZEN can fund construction of the Tanami Power Station from existing cash and banking facilities.
- We maintain our BUY recommendation with our \$0.84/sh price target under review.



Best Buys Historical Performance

The Euroz Best Buys portfolio performance is the simple average performance of the stocks selected for that month from date of publish until end of month.

The Euroz Best Buys portfolio returned 9.0% in November against the ASX:XSOAI index return of 3.23%, an outperformance of 5.77% for the month.



Outperformance is biased toward periods of uptrend in the XSOAI.

The outperformance of the Euroz Best Buys since inception comes despite a generally poor period of returns from WA oriented stocks.

Future returns from WA oriented companies could be expected to be greatly improved compared the 2011-2015 period as the economic cycle recovers.

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