

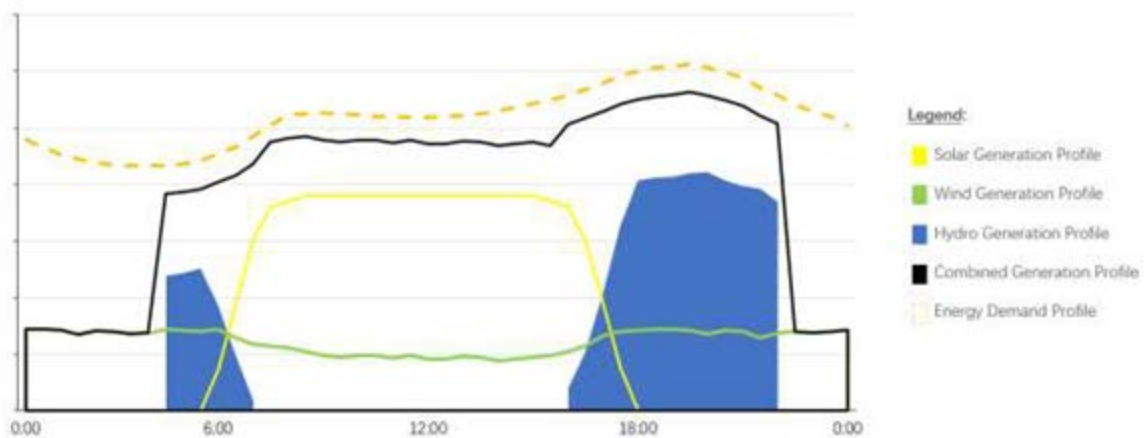
Genex Power Ltd (GNX \$0.305) Speculative Buy

| Analyst | Date | Price Target |
|------------|---------------------------|--------------|
| Jon Bishop | 05 th /04/2017 | \$0.54/sh |

Option over Kidston Stage-3: 150MW Wind Farm

Key Points

- GNX has announced that it has entered into a binding heads of agreement with local landholders to develop a wind farm as part of a 3rd Stage of renewable development at Kidston;
- Preliminary estimates envisage generation capacity of up to 150MW despatching electricity into the National Electricity Market (NEM) via the proposed upgraded 275KV transmission line;
- Incorporation of a third stage of renewable power generation affords the Kidston Hub – in combination with the Pumped Hydro and Solar projects – with the capacity to despatch electricity into the NEM on a 24/7/365 basis:



- The Company will commence a feasibility study. This will likely take 18mths at nominal cost.

Investment Case

Genex Power Ltd (ASX: GNX) is an emerging renewable energy power generator. A third phase of renewable generation will only add to the attractiveness of its Kidston Renewable Power Hub in far north Queensland. Kidston already comprises a two-stage solar farm (50MW Stage 1 due end CY'17; 270MW Stage 2 – CY'19) as well as a 250MW Pumped Hydro power storage solution. Stage 1 and 2 are designed to meet peaking electricity demand in a rising NEM price environment. Stage 3 wind will enhance baseline, 24/7/365 generation and revenue profile of the business. GNX will benefit from Federal Government policy and economic incentives, via 'green certificates', to drive investment in grid scale, environmentally friendly electricity generation. A guaranteed revenue base, low borrowing costs and generous financing terms, combined with retained exposure to peak pricing will provide a stable, defensible recurring earnings base with considerable upside potential. Longer term, with astute financial engineering, we view that GNX's Kidston portfolio will be of increasing attraction to infrastructure funds and/or large utilities. We retain a Speculative Buy recommendation, with a Price Target of \$0.54/sh.

Genex Power Ltd (GNX)

| | | |
|-----------------------|-------|--------|
| Share Price | 0.305 | A\$/sh |
| Price Target | 0.54 | A\$/sh |
| Valuation | 0.54 | A\$/sh |
| Shares on issue | 288 | m(dil) |
| Market Capitalisation | 88 | A\$m |

| | | |
|---------------------|-------------|-------|
| Enterprise Value | 185 | A\$/m |
| Debt | 105 | A\$/m |
| Cash | 8 | A\$/m |
| Largest Shareholder | Zhefu Hydro | 13.3% |

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