Genesis Minerals Limited and controlled entities

ABN 72 124 772 041

Annual Financial Report and Directors' Report

for the year ended 30 June 2011

Corporate Directory

ABN 72 124 772 041

Directors
Michael Haynes (Non-Executive Chairman)
Michael Fowler (Managing Director)
Graeme Smith (Non-Executive Director)

Company Secretary
Graeme Smith

Registered Office
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WEST PERTH WA 6005

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45 St George's Terrace
PERTH WA 6000

Auditors
Bentleys
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

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Securities Exchange Listing
Genesis Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: GMD).

Contents

Chairman's Report

Dear Fellow Shareholder

I am pleased to present the Annual Report of the Company for the year ended 30 June 2011.

In August 2010 Genesis entered into agreements to acquire a 100% interest in the Dinamarquesa Gold-Copper Project and a 100% interest in the Cerro Verde Gold-Copper-Silver Project. Both projects are located in the Atacama Desert near the regional City of Copiapó in northern Chile, in areas serviced by excellent infrastructure. We believe there is considerable potential to discover high grade gold and copper mineralisation as well as disseminated porphyry hosted gold-copper mineralisation at both projects.

We completed our first drilling program at Dinamarquesa during the year and it returned highly encouraging results and we look forward to advancing the project over the coming year.

In addition to our Projects in Chile Genesis entered into agreements with Teck Argentina to acquire 100% of the Poncha and Los Opeñas Gold Projects in San Juan in Argentina. We are very excited about the potential of these two projects which both have a number of drill ready targets. We plan to commence exploration in the coming months, when and we will be targeting high to bonanza grade gold mineralisation.

The Company has established an excellent team of employees and contractors that are operating in highly prospective geological terranes. As such we are in a great position to capitalise on strong global metal prices, particularly copper and gold prices. With four highly prospective projects and a dedicated, highly competent management team, the Company is well positioned to leverage from exploration success.

We will continue to simultaneously pursue the acquisition of other highly prospective, advanced copper and gold projects in South America.

On behalf of the Board I would like to thank you for your continued support and I look forward to keeping you informed of our progress during the forthcoming year.

Mike Haynes
Chairman

Review of Operations

During the year Genesis Minerals Limited entered into agreements to acquire 100% of the Dinamarquesa and Cerro Verde Copper-Gold Projects in northern Chile and 100% of the Poncha and Los Opeñas Gold Projects in San Juan, Argentina.

A 2 month drilling program commenced in December 2010 at Dinamarquesa with a second phase of drilling commencing in July 2011. Excellent results from high-grade veins were returned from the first drilling program along with highly encouraging porphyry copper-gold-molybdenum mineralisation.

Genesis also finalised agreements with Teck Argentina in the first half of 2011 over the Poncha and Los Opeñas Projects. Both of these projects are highly prospective for high to bonanza grade gold and silver mineralisation with strong base metal credits.

DINAMARQUESA PROJECT, CHILE

Genesis Minerals Limited entered into an agreement in August 2010 with a private Chilean company to acquire a 100% interest in the Dinamarquesa Project in northern Chile. The Project is located within the highly mineralised Inca de Oro gold-copper belt which forms part of the well-endowed Palaeocene Porphyry belt of northern Chile.

Figure 1 Locations of Genesis' Projects

The Project is located in the Atacama Desert in an area with excellent infrastructure about 850 km north of Santiago, 90 km north of the city of Copiapó and 75km east of the Pacific Ocean. The Project is 3km south west of the small town of Inca de Oro which is connected by a sealed highway between Copiapó in the south and Diego de Almagro in the north.

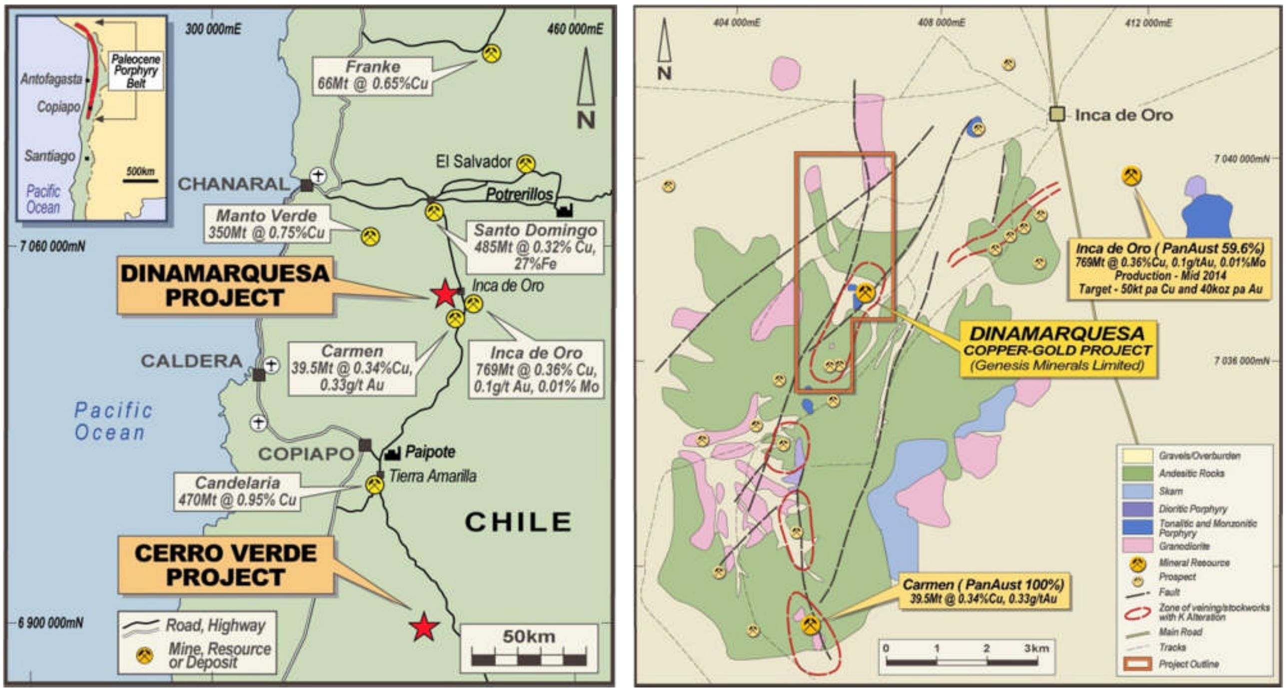


Figure 2. Location of the Dinamarquesa Project.

The first drilling program of 7 holes for 2,200m was completed in January 2011. It targeted interpreted high grade vein and porphyry copper systems.

Highly encouraging results (*Genesis Minerals Limited ASX Releases, 18-01-2011 and 18-02-2011*) were returned from the initial drilling program including:

- **2m @ 102.8 g/t gold**
- **2m @ 6.5 g/t gold**
- **1m @ 17.7 g/t gold**
- **0.34m @ 21.0g/t gold**
- **0.37m@ 6.5g/t gold**
- **0.6m @ 3.7g/t gold.**

The initial drilling program, along with a mapping program, defined an extensive high grade vein system over at least 500m of strike. The vein system is open along strike and at depth.

Review of Operations continued

The results to date provide great encouragement to define a significant high grade vein system at Dinamarquesa.

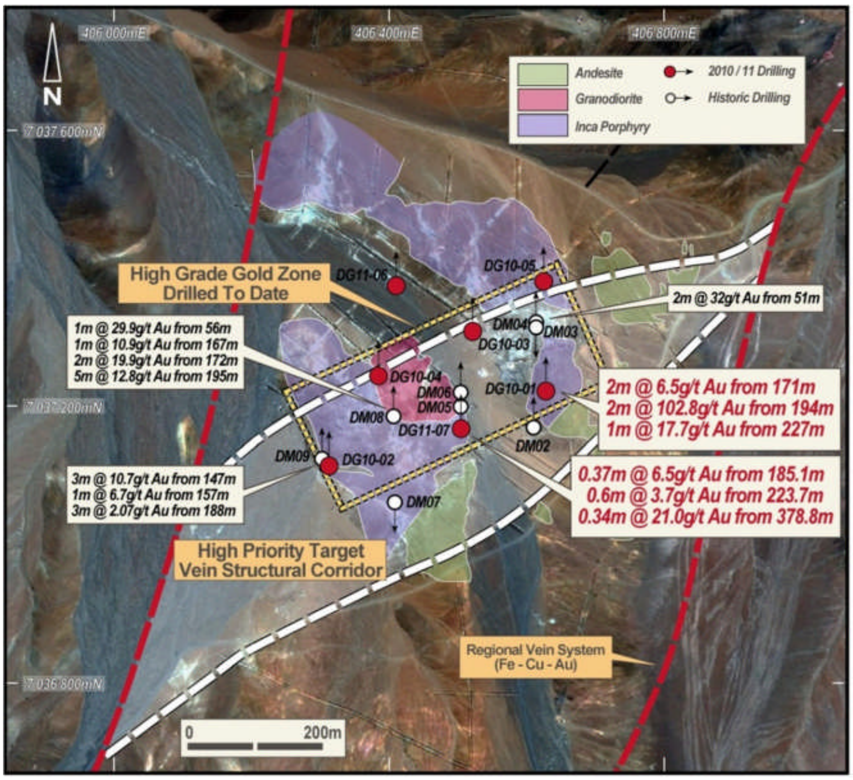


Figure 3. High grade gold intersections at Dinamarquesa.

Porphyry Copper Mineralisation

Highly encouraging primary copper-gold-molybdenum mineralisation was returned from the initial drilling program that targeted porphyry hosted mineralisation at the Project. These results, together with recent geological mapping, highlight the significance of the porphyry copper system at Dinamarquesa.

Drilling results (*Genesis Minerals Limited ASX Releases, 02-03-2011*) received to date include:

DG10-01	**56m @ 0.45% copper equivalent *** (0.29% copper, 0.18g/t gold**)**
	18m @ 0.58% copper equivalent *(0.35% copper, 0.29g/t gold)
	45m @ 0.67% copper equivalent* (0.26% copper, 0.51g/t gold)
DG 10-03	**18m @ 0.72% copper equivalent *** (0.37% copper, 0.38g/t gold)
	31m @ 0.50% copper equivalent* (0.25% copper, 0.23g/t gold, 106ppm Mo)
	18m @ 0.63% copper equivalent *(0.29% copper, 0.4 g/t gold)
DG 10-05	**34m @ 0.48% copper equivalent *** (0.31% copper, 0.22g/t gold)
	13m @ 0.60% copper equivalent * (0.37% copper and 0.23 g/t gold)
	35m @ 0.44% copper equivalent* (0.28% copper, 0.13 g/t gold)
	17m @ 0.62 % copper equivalent* (0.14% copper, 543ppm molybdenum)
DG 11-07	**101m @ 0.48% copper equivalent *** (0.28% copper, 0.24g/t gold)

Review of Operations continued

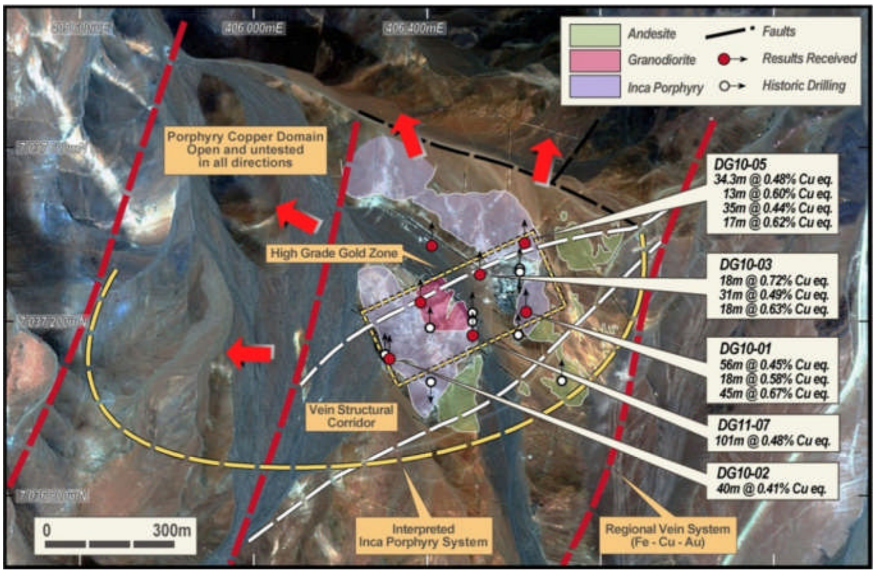


Figure 4. Porphyry copper intersections at Dinamarquesa.

Only limited testing of the porphyry system has been completed. Mineralisation remains open in all directions and at depth. An initial target area of 1,200m by 800m will be the focus of further drill testing (Figure 4).

The Dinamarquesa Project lies within a cluster of large Paleocene porphyry deposits including the Inca de Oro Deposit, 4km east (*769.7Mt @ 0.32% copper and 0.09g/t gold, Pan Aust ASX Release 8 June 2011*) and the Carmen Deposit 5km south, within the Inca de Oro porphyry belt.

CERRO VERDE PROJECT, CHILE

Genesis has entered into an agreement with a private Chilean company to acquire a 100% interest in the Cerro Verde Gold-Copper-Silver Project in northern Chile. Mining in the area dates back to the 1800s but only limited modern exploration has been completed at the Project. Numerous high grade structures remain untested and the potential to discover new veins is considered high; as is the potential to define a large porphyry system at the Project.

The Project is located in the Atacama Desert in an area serviced by very good infrastructure about 750 km north of Santiago, 80 km south of the city of Copiapó and 75km east of the Pacific Ocean. The Project is easily accessed by a sealed road and well-formed gravel roads from Copiapó. The altitude ranges from 1,800 to 2,200m, with low to moderate relief. Exploration can be conducted all year round.

The Project hosts a sub-parallel swarm of precious and base metal-bearing quartz specularite veins exposed along the western flank of a caldera system that is elongated north-south. The host rocks comprise a sequence of Palaeocene andesitic volcaniclastics, dacite and rhyolite flows, flow-domes, diatreme-like breccias, and dikes capped by a blanket of rhyolitic ignimbrites. Ore-bearing veins cut the entire stratigraphic column. Mineralised veins and structures strike north to north east with moderate to steep dips to the east and west.

Historic mining in the area dates back to the 1800's with several high grade veins mined at depth. Only limited historic mining records are currently available to Genesis. However, records indicate that in 1869 some 8,500 tonnes at ~17% copper were extracted from mines in the area. Small scale mining and reclamation of old stockpiles continues at present.

Minor surface exploration was completed by Homestake between 1998 and 1999. Between 2004 and 2005, Hochschilds (MH Chile) explored the area by surface mapping, sampling (334 surface samples) and limited diamond drilling (1,219m completed). The surface rock chip sampling by Hochschilds highlighted significant gold, copper and silver surface mineralisation over a 4km by 2km area. Strong arsenic, barium, bismuth, mercury, molybdenum, lead and stibnite anomalism is also present.

No other modern exploration is known to have been conducted at the Project.

A small surface sampling program was completed in November 2011 and a mapping and sampling program commenced during August 2011.

At the Cerro Verde Project extensive gold, copper and silver mineralisation has been defined at surface over a 5km by 2km area. There is considerable potential to define significant high grade gold, copper and silver mineralisation within the extensive vein system. Limited modern systematic exploration has been completed.

Review of Operations continued

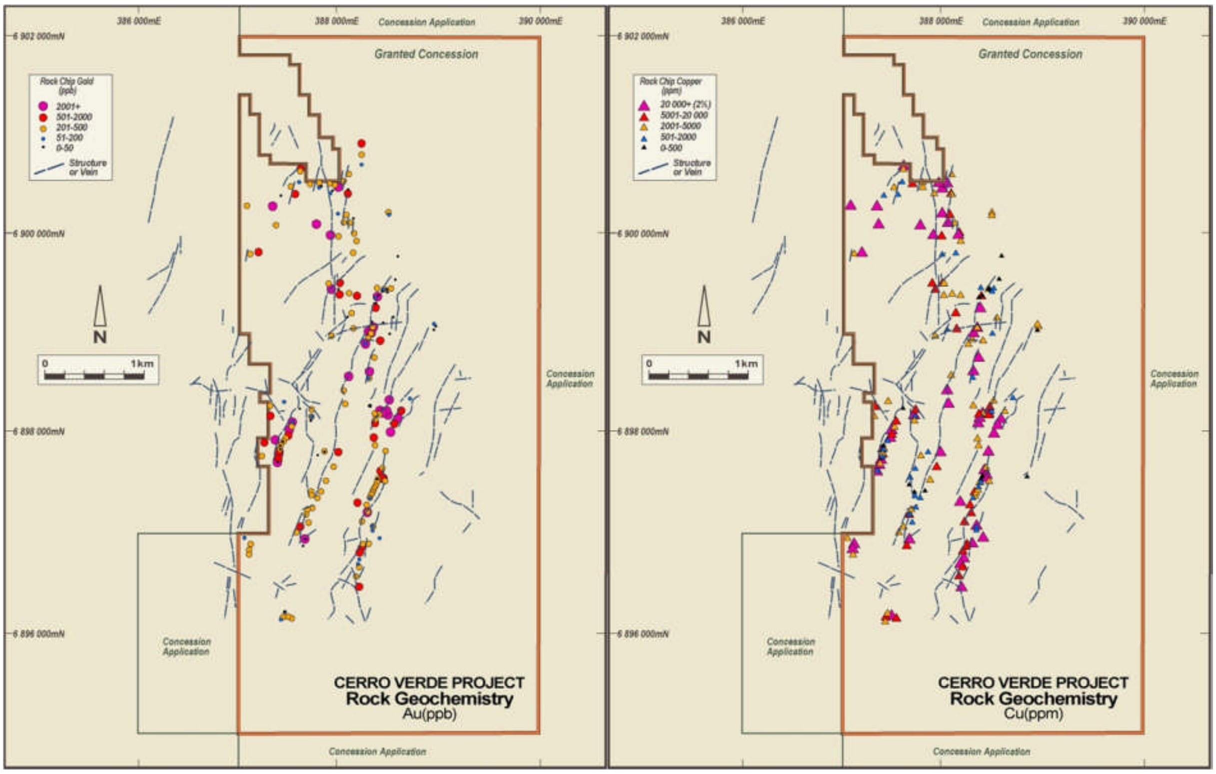


Figure 5. Cerro Verde gold and copper anomalism

PONCHA AND LOS OPEÑAS PROJECTS, SAN JUAN ARGENTINA

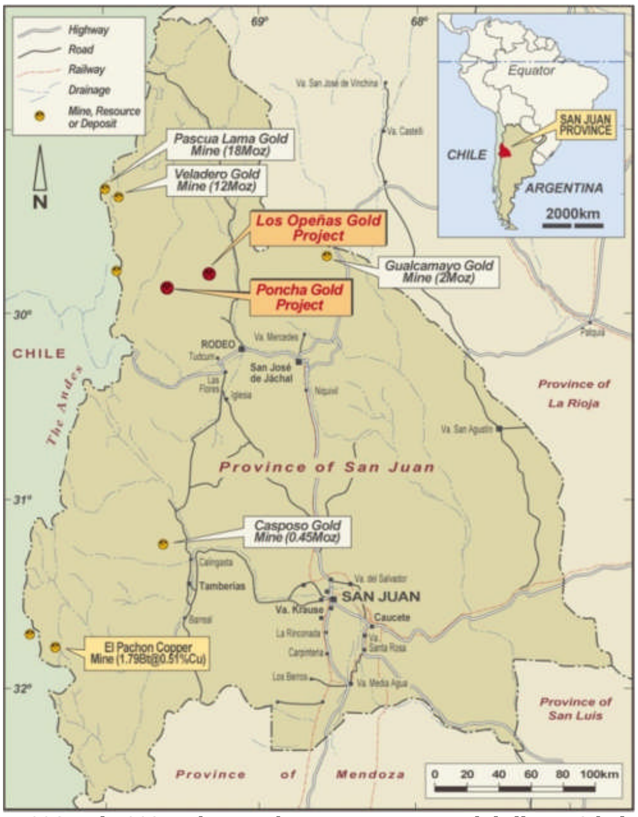
Genesis Minerals Limited entered into agreements with Teck Argentina Ltd. ("Teck"), a wholly owned subsidiary of Teck Resources Limited, to acquire 100% of Teck's right and interest in the Poncha and Los Opeñas epithermal gold projects in San Juan Province, Argentina.

Work carried out previously by Teck and other operators at the Projects indicates that significant epithermal gold systems may be present. Both Projects contain numerous drill ready targets. The Projects are located in the mining friendly San Juan Province, which has both large operating and development stage projects.

The Poncha and Los Opeñas Projects are located 200km northwest of the regional capital San Juan and about 40km northwest of the town of Rodeo in the foothills of the Andes, at elevations of between 2,800m and 4,500m above sea level. Infrastructure in the area is good and access to the Projects is gained via good paved and gravel roads from Rodeo. The Projects are approximately 25km apart.

It is planned to commence a 4,000m drilling program at the Poncha Project over the summer field season. Drilling will focus on the numerous drill-ready high to bonanza grade gold targets.

A short mapping and sampling program is scheduled to commence in August at Los Opeñas prior to undertaking a 1,500m drill program.



Poncha

Teck first identified the Poncha Project in 2005. Exploration between 2006 and 2009 at the Poncha Project comprised drilling 18 holes for 6,531m, geochemical sampling, geophysical surveying and geological mapping. Two targets were explored during this period; a northern porphyry copper-gold target and a southern epithermal gold target. The majority of the drilling was completed at the southern epithermal target.

Review of Operations continued

Wide-spaced drilling at the southern epithermal target returned results (*GMD ASX Release April 6 2011*) including:

- Hole PC13 - 266m @ 1.21g/t gold including:
  - 22m @ 3.01g/t gold, 5.4g/t silver, 0.3% zinc; and
  - 61m @ 3.04g/t gold containing 4m @ 10.84g/t gold and 7.9g/t silver, and 8m @ 10.91g/t gold and 24g/t silver.
- Hole PC 09 - 6m @ 7.4g/t gold, 7.0g/t silver, 0.5% zinc

A recent mapping program and re-interpretation by Teck identified a strong north to north northeast control on gold mineralisation associated with jarosite-pyrolusite faults and/or phreatomagmatic breccia bodies. This north to north northeast orientation has had very limited testing and will be subject to testing by east-west orientated drilling in a forthcoming drilling program. An initial area of 800m x 400m will be targeted. This area occurs within a much larger target area under scree cover.

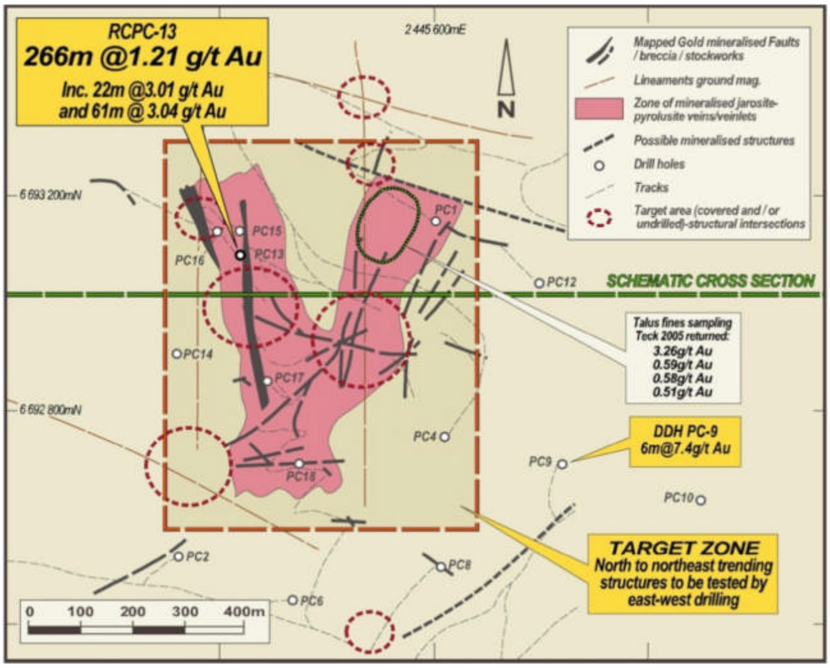


Figure 7. Poncha Exploration – Southern Epithermal Target.

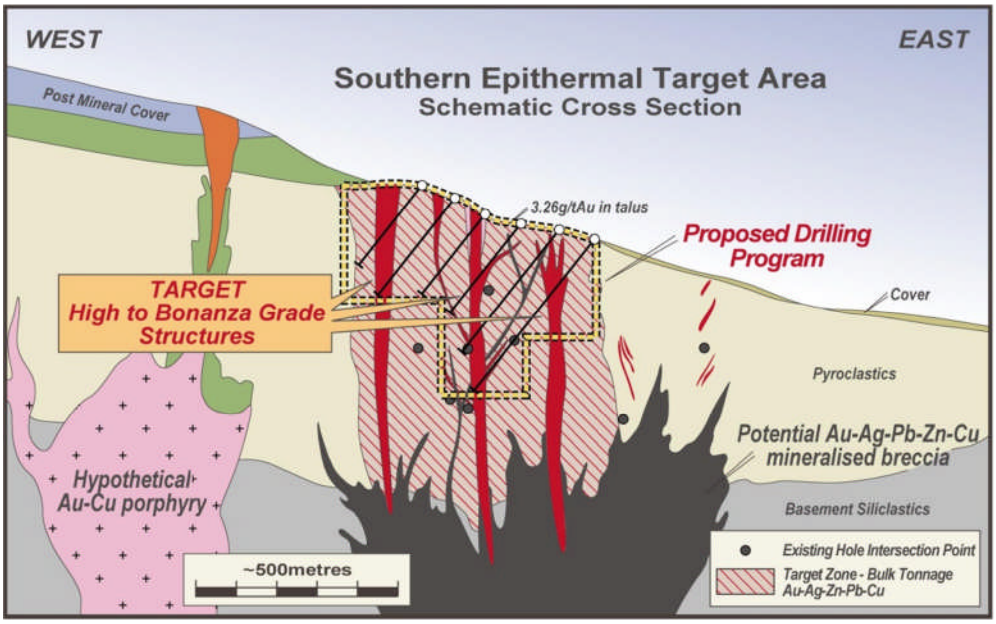


Figure 8. Southern Epithermal Target – Schematic Cross Section.

Los Opeñas

Teck completed geochemical sampling, first pass mapping and rock chip sampling (897 samples) at Los Opeñas between 2005 and 2009. An extensive epithermal vein system was identified from this work. Rock samples at surface returned values as high as 49g/t gold and 183g/t gold, and up to 6,789g/t silver. Channel sampling of mapped breccia bodies have returned results including 20m @ 4.69g/t gold associated with strongly anomalous zinc, lead and silver.

Review of Operations continued

No drilling has been undertaken at the Project. Exploration will focus on drill testing the 4.5km of high grade vein structures that have been defined to date.

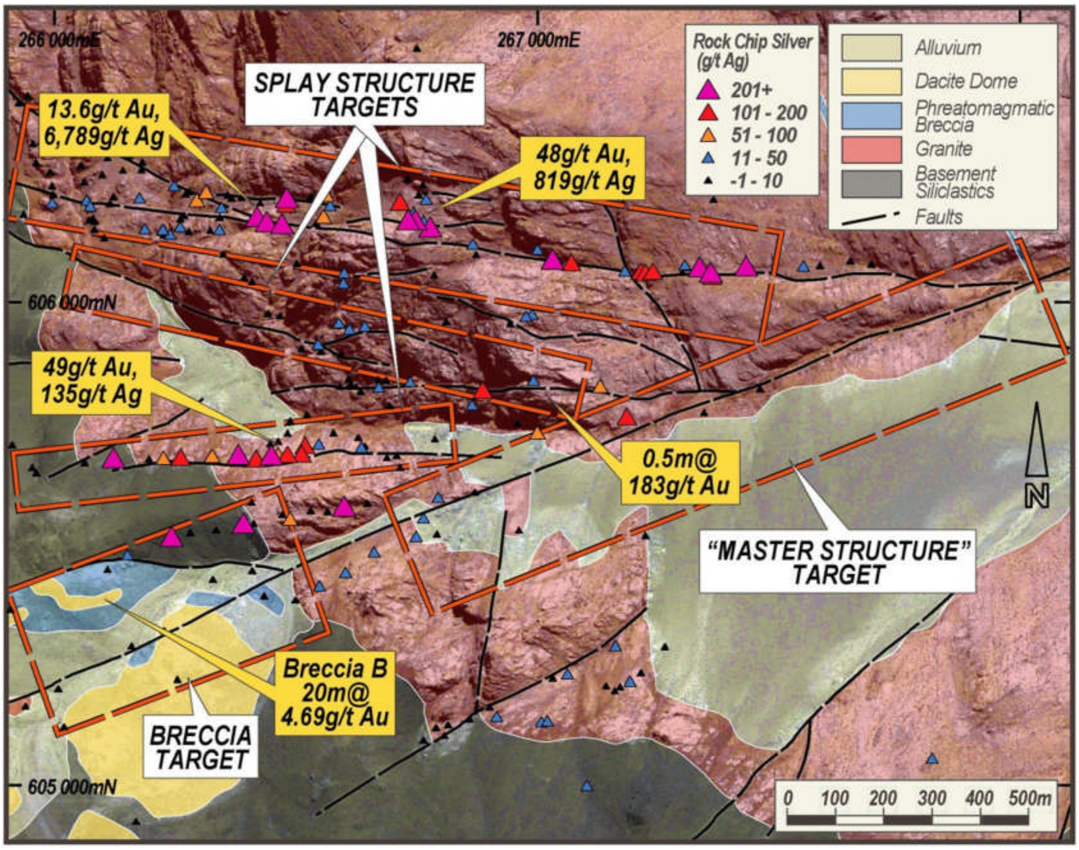


Figure 9 Los Opeñas Rock Chip (silver ppm) Samples and Target Zones.

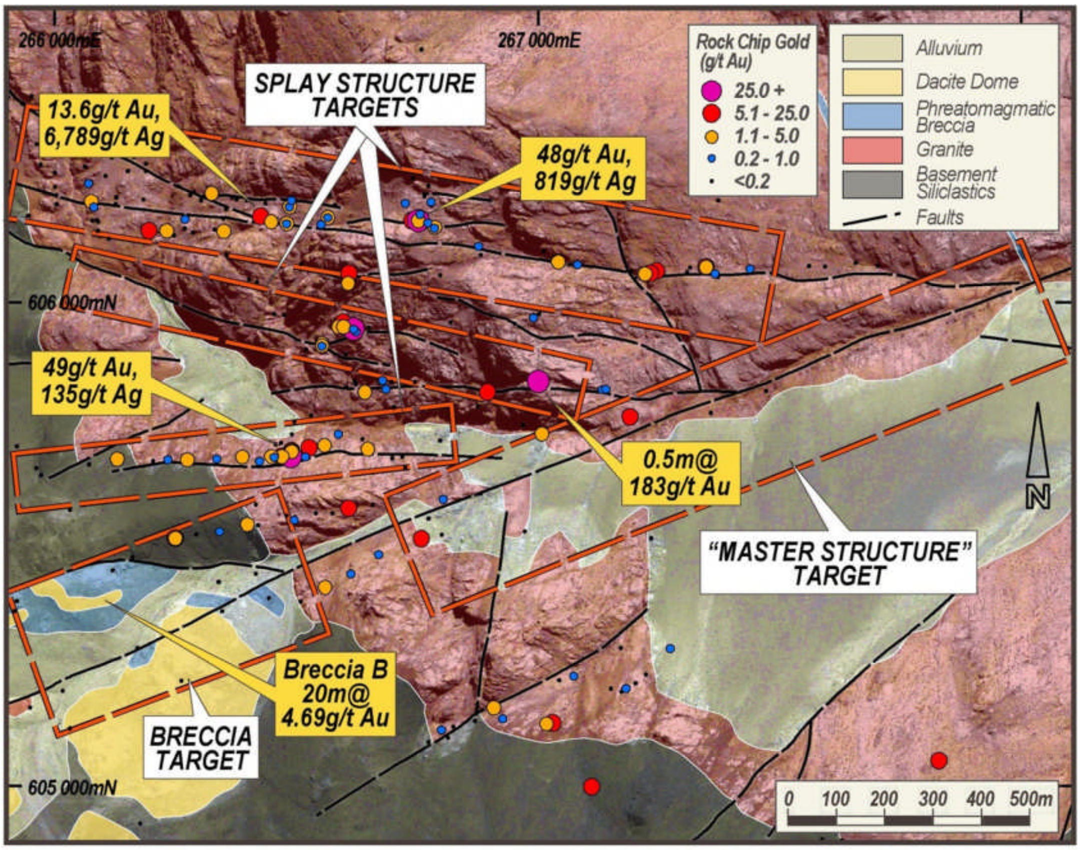


Figure 10 Los Opeñas Rock Chip (Au ppm) Samples and Target Zones.

Review of Operations continued

Analysis of the alteration, structural setting and geochemistry of the Poncha and Los Opeñas Projects, together with their spatial association with diatreme breccias, highlight the possibility for "intermediate sulphidation" epithermal gold systems. They appear similar to gold-rich systems of the south west Pacific (e.g. Kelian, Indonesia, 8Moz gold, Acupan (Baguio district), Philippines 6Moz gold), and to those being developed in northern South America (e.g., Fruta del Norte, Ecuador, 10Moz gold) and in Mexico (e.g. Penasquito 40Moz gold (eq)). The target types for both Projects are multimillion ounce bulk mineable and high grade vein/structural targets.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Michael Fowler, Genesis Minerals Limited's Managing Director, who is a Member of The Australasian Institute of Mining and Metallurgy. Michael Fowler has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code. Michael Fowler consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Genesis Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Information on Directors

Michael Haynes, BSc (Hons) (Non-Executive Chairman)

Mr Haynes has more than 18 years' experience in the resources industry. He graduated from the University of Western Australia with an honours degree in geology and geophysics and has been intimately involved in the exploration and development of a wide variety of ore deposit styles throughout the world.

Mr Haynes has held technical positions with both BHP Minerals and Billiton plc. He ran his own successful consulting business for a number of years providing professional geophysical and exploration services to both junior and major resource companies. He has worked extensively on project generation and acquisition throughout his career and has been instrumental in the incorporation, financing and ongoing management of numerous junior resources companies

Mr Haynes is the Managing Director of Black Range Minerals Limited (appointed 27 June 2005) and Chairman of Overland Resources Limited (appointed 9 May 2005). He is also a Director of Eagle Eye Metals (appointed 25 May 2011) and Coventry Resources Limited (appointed 27 October 2009). Mr Haynes was a director of Bellamel Mining Limited (appointed 16 May 2007, resigned 31 December 2008).

Michael Fowler, BSc, MSc, MAusIMM (Managing Director)

Mr Fowler is a geologist with 22 years industry experience in the resources industry. He graduated from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology and in 1999 received a Master of Science majoring in Ore Deposit Geology from the University of Western Australia. On graduating he explored for gold and base metals for Dominion Mining in the Murchison, Gascoyne and Eastern Goldfields Regions of Western Australia.

In 1996, Mr Fowler joined Croesus Mining NL and was made Exploration Manager in 1997. He oversaw all exploration for Croesus until June 2004 and was then appointed Business Development Manager and subsequently Managing Director in October 2005. Mr Fowler has overseen the discovery and development of several significant gold deposits. He has been intimately involved in a number of significant acquisitions and project reviews. He has recently worked as the Exploration Manager for Castle Minerals in Ghana. Mr Fowler has not held any other directorships in the last 3 years.

Graeme Smith, BEc, MBA, MComLaw, FCPA, FCIS, MAusIMM (Non-Executive Director)

Graeme Smith is a finance professional with over 20 years' experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held CFO and Company Secretary positions with other Australian mining and mining service companies. Within the last 3 years Mr Smith was a Non-Executive Director of Buxton Resources Limited (resigned 29 November 2010).

COMPANY SECRETARY

Graeme Smith

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Genesis Minerals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Haynes	993,334	1,500,000
Michael Fowler	3,166,667	6,500,000
Graeme Smith	100,001	900,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

Directors' Report continued

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2011 of $2,497,617 (2010: $775,286).

At 30 June 2011 cash assets available totalled $1,556,883 (2010: $219,252).

Operating Results for the Year

Summarised operating results are as follows:

	2011		2010	
	Revenues $	Results $	Revenues $	Results $
Group revenues and loss from ordinary activities before income tax expense	**38,977**	**(2,497,617)**	11,106	(775,286)

Shareholder Returns

	2011	2010
Basic loss per share (cents)	(4.2)	(2.5)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group raised a total of $2,091,881 through the issue of 14,162,627 ordinary shares to institutional and sophisticated investors in two separate placements in September 2010 and March 2011. The Group also raised $1,163,917 through the issue of 23,278,340 ordinary shares from an entitlements issue in October 2010. Funds raised are being used to actively pursue the Group’s exploration projects.

AFTER BALANCE DATE EVENTS

No matters or circumstances, besides those disclosed at Note 19, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Directors' Report continued

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Genesis Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Genesis Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executives performance. The Group plans to facilitate this process by directors and executives participating in future option issues to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to note 13 of the financial statements.

Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Genesis Minerals Limited and the Genesis Minerals Group are set out in the following table.

The key management personnel of Genesis Minerals Limited include the directors and company secretary as per page 11 above.

Given the size and nature of operations of Genesis Minerals Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel and other executives of Genesis Minerals Limited

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Michael Haynes						
2011	**54,500**	**-**	**-**	**-**	**21,896**	**76,396**
2010	54,500	-	-	-	-	54,500
Michael Fowler						
2011	**188,750**	**-**	**18,875**	**-**	**65,689**	**273,314**
2010	160,000	-	16,000	-	-	176,000
Graeme Smith						
2011	**30,000**	**-**	**2,700**	**-**	**17,517**	**50,217**
2010	30,000	-	2,700	-	-	32,700
Total key management personnel compensation						
2011	**273,250**	**-**	**21,575**	**-**	**105,102**	**399,927**
2010	244,500	-	18,700	-	-	263,200

Service agreements

On 25 June 2007 the Company entered into an Executive Service Agreement with Mr Michael Fowler.

Under the Agreement, Mr Michael Fowler is engaged by the Company to provide services to the Company in the capacity of Managing Director and CEO.

Mr Fowler was paid a salary of $176,000 per annum (inclusive of superannuation entitlement) until 31 March 2011. From this date Mr Fowler's salary was increased to $275,000 per annum (plus 10% superannuation entitlement).

The Agreement is effective from the date the Company was admitted to the Official List (30 July 2007) and continues until terminated by either Mr Fowler or the Company. Mr Fowler is entitled to a minimum notice period of three months from the Company and the Company is entitled to a minimum notice period of three months from Mr Fowler.

Share-based compensation

Options are issued at no cost to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Genesis Minerals Limited to increase goal congruence between executives, directors and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Michael Haynes	29/11/2010	250,000	20/11/2010	30/11/2013	31.0	6.4	N/A	20.9
Michael Haynes	29/11/2010	250,000	(1)	30/11/2013	31.0	6.4	N/A	7.7
Michael Fowler	29/11/2010	750,000	20/11/2010	30/11/2013	31.0	6.4	N/A	17.6
Michael Fowler	29/11/2010	750,000	(1)	30/11/2013	31.0	6.4	N/A	6.5
Graeme Smith	29/11/2010	200,000	20/11/2010	30/11/2013	31.0	6.4	N/A	25.5
Graeme Smith	29/11/2010	200,000	(1)	30/11/2013	31.0	6.4	N/A	9.4

(1) These options vest upon the achievement of a JORC Code compliant resource. Management have estimated that this performance condition will be satisfied by 30 June 2012.

Directors' Report continued

DIRECTORS' MEETINGS

During the financial year nine meetings of directors were held. Attendances by each director during the year were as follows:

	Directors Meetings	
	A	B
Michael Haynes	9	9
Michael Fowler	9	9
Graeme Smith	9	9

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 12,900,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	14,400,000
Movements of share options during the year	
Issued, exercisable at 10 cents, on or before 30 September 2012	600,000
Issued, exercisable at 31 cents, on or before 30 November 2013	2,400,000
Exercised at 10 cents, on or before 30 June 2011	(4,500,000)
Total number of options outstanding as at 30 June 2011 and the date of this report	**12,900,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 September 2012	10	600,000
23 August 2013	15	75,000
23 August 2013	20	75,000
28 February 2013	20	500,000
15 May 2012	20	9,250,000
30 November 2013	31	2,400,000
Total number of options outstanding at the date of this report		**12,900,000**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Genesis Minerals Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $8,905 (2010: $8,904).

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Bentleys, or associated entities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' Report continued

GOING CONCERN

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of $2,497,617 for the year ended 30 June 2011 (2010: $775,286). Included within this loss was the write off of exploration expenditure of $1,475,095 (2010: $144,284).

The net working capital position of the Group at 30 June 2011 was $1,453,537 (2010: $156,455) and the net increase in cash held during the year was $1,338,146 (2010: $66,483 decrease).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because the Directors have an appropriate plan to contain certain operating and exploration expenditure if additional required funding is unavailable.

Refer to note 1(a) for further details.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Michael Fowler
Managing Director

Perth, 30 September 2011

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Genesis Minerals Limited and Controlled Entities for the year ended 30 June 2011 and in accordance with the provisions of the *Corporations Act 2001*.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- no contraventions of the *Code of Professional Conduct* of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 30th day of September 2011

Corporate Governance Statement

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

As and if the company's activities increase in size, nature and scope the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The Board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The Board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX Principles of Good Corporate Governance

The Board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The Board has adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**A**	The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	Matters reserved for the Board can be viewed on the Company website.
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	Given the Group's background, the nature and size of its business and the current stage of its development, the board comprises three directors, two of whom are non-executive. The board believes that this is both appropriate and acceptable at this stage of the Group's development.
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The position of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full Board is the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Group it is not considered that a separate Nomination Committee would add any substance to this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Group a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of the Directors are set out in the Group's Annual Report and on the website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Group has established a Code of Conduct which can be viewed on its website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Group has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors	**A**	
	• consists of a majority of independent directors	**A**	
	• is chaired by an independent chair, who is not chair of the board	**A**	
	• has at least three members	**N/A**	The Company only has two non-executive directors.
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receives monthly reports on the status of the Group's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Group. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Group has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**N/A**	While the Group does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	**N/A**	While the Group does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	Assurances received from CEO and CFO (or equivalent) each year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	Refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted
N/A = Not adopted

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2011	Notes	2011 $	2010 $
REVENUE	4	**38,977**	11,106
EXPENDITURE			
Depreciation expense		**(1,732)**	(3,501)
Salaries and employee benefits expense		**(330,944)**	(363,826)
Exploration expenses		**(1,475,095)**	(144,284)
Impairment expense		**(137,426)**	(12,045)
Corporate expenses		**(170,304)**	(104,603)
Administration costs		**(242,731)**	(125,208)
Share based payments expense	22	**(178,362)**	(32,925)
LOSS BEFORE INCOME TAX	5	**(2,497,617)**	(775,286)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(2,497,617)**	(775,286)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**48,292**	6,257
Other comprehensive income for the year, net of tax		**48,292**	6,257
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF GENESIS MINERALS LIMITED		**(2,449,325)**	(769,029)
Basic loss per share (cents per share)	21	**(4.2)**	(2.5)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2011	Notes	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,556,883**	219,252
Trade and other receivables	8	**7,437**	9,432
TOTAL CURRENT ASSETS		**1,564,320**	228,684
NON-CURRENT ASSETS			
Plant and equipment	9	**13,196**	892
TOTAL NON-CURRENT ASSETS		**13,196**	892
TOTAL ASSETS		**1,577,516**	229,576
CURRENT LIABILITIES			
Trade and other payables	10	**110,783**	72,229
TOTAL CURRENT LIABILITIES		**110,783**	72,229
TOTAL LIABILITIES		**110,783**	72,229
NET ASSETS		**1,466,733**	157,347
EQUITY			
Issued capital	11	**7,849,148**	4,268,799
Reserves	12(a)	**353,910**	127,256
Accumulated losses		**(6,736,325)**	(4,238,708)
TOTAL EQUITY		**1,466,733**	157,347

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2011

	Notes	Ordinary Share Capital $	Options Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2009		3,602,414	63,550	24,524	(3,463,422)	227,066
Loss for the year		-	-	-	(775,286)	(775,286)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	-	-	6,257	-	6,257
TOTAL COMPREHENSIVE LOSS		-	-	6,257	(775,286)	(769,029)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	717,075	-	-	-	717,075
Share issue transaction costs	11	(50,690)	-	-	-	(50,690)
Share based payments		-	32,925	-	-	32,925
BALANCE AT 30 JUNE 2010		4,268,799	96,475	30,781	(4,238,708)	157,347
Loss for the year		**-**	**-**	**-**	**(2,497,617)**	**(2,497,617)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	**-**	**-**	**48,292**	**-**	**48,292**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**48,292**	**(2,497,617)**	**(2,449,325)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	**3,796,798**	**-**	**-**	**-**	**3,796,798**
Share issue transaction costs	11	**(216,449)**	**-**	**-**	**-**	**(216,449)**
Share based payments	12(a)	**-**	**178,362**	**-**	**-**	**178,362**
BALANCE AT 30 JUNE 2011		**7,849,148**	**274,837**	**79,073**	**(6,736,325)**	**1,466,733**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2011	Notes	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(703,865)**	(589,024)
Payments for exploration expenditure		**(1,465,239)**	(154,950)
Interest received		**32,344**	11,106
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20(a)	**(2,136,760)**	(732,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(14,443)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(14,443)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**3,705,798**	717,075
Payments of share issue costs		**(216,449)**	(50,690)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**3,489,349**	666,385
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,338,146**	(66,483)
Cash and cash equivalents at the beginning of the financial year		**219,252**	286,034
Effects of exchange rate changes on cash and cash equivalents		**(515)**	(299)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,556,883**	219,252

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Genesis Minerals Limited and its subsidiaries ("the Group"). The financial statements are presented in the Australian currency. Genesis Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2011. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Genesis Minerals Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of $2,497,617 for the year ended 30 June 2011 (2010: $775,286). Included within this loss was the write off of exploration expenditure of $1,475,095 (2010: $144,284).

The net working capital position of the Group at 30 June 2011 was $1,453,537 (2010: $156,455) and the net increase in cash held during the year was $1,338,146 (2010: $66,483).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Group not be able to successfully raise capital if required, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genesis Minerals Limited ("Company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Genesis Minerals Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Genesis Minerals Limited.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Genesis Minerals Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Genesis Minerals Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 22.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011)

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 22. If any of these assumptions were to change, there may be an impact on the amounts reported.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chilean Peso ("CLP"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements. The Group's exposure to foreign currency risk at the reporting date was as follows:

	2011 CLP	2010 CLP
Cash and cash equivalents	**45,254,518**	2,534,184
Trade and other receivables	**400,026**	4,262,057
Trade and other payables	**(16,169,770)**	(3,868,653)
Net CLP exposure	**29,484,774**	2,927,588
Net AUD exposure	**59,264**	6,479

Sensitivity analysis

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the Chilean Peso with all other variables held constant, there would have been nil impact on the Group's post-tax losses for the year (2010: Nil) and immaterial movements to the Group's equity for both years presented.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

2. FINANCIAL RISK MANAGEMENT (cont'd)

(ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $1,556,883 (2010: $219,252) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 4.6% (2010: 3.3%).

Sensitivity analysis

At 30 June 2011, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $6,750 lower/higher (2010: $2,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

Credit risk related to balances with banks by ensuring surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-, with material cash balances retained in AUD or USD.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics. For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Chile. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

3. SEGMENT INFORMATION (cont'd)

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of the segment:

- Head office and other administration costs.

	2011 $	2010 $
Chile exploration segment		
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Corporate interest revenue	**38,977**	11,106
Total revenue	**38,977**	11,106
Segment results	**(1,597,138)**	(177,602)
Reconciliation of segment result to net loss before tax:		
Depreciation expense	**(1,732)**	(3,501)
Salaries and employee benefits expense	**(330,944)**	(333,519)
Share based payments expense	**(178,362)**	(32,925)
Other corporate and administration expenses	**(389,441)**	(227,739)
Net loss before tax	**(2,497,617)**	(775,286)
Segment operating assets	**91,766**	15,040
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**1,485,750**	214,536
Total assets	**1,577,516**	229,576
Segment operating liabilities	**2,815,907**	1,295,502
Reconciliation of segment operating liabilities to total liabilities:		
Inter-segment eliminations	**(2,783,406)**	(1,286,941)
Other corporate and administration liabilities	**78,282**	63,668
Total liabilities	**110,783**	72,229

Notes to the Consolidated Financial Statements continued

30 JUNE 2011	2011 $	2010 $
4. REVENUE		
From continuing operations		
Other revenue		
Interest	**38,977**	11,106
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**20,356**	20,528
Impairment expense - trade and other receivables	**137,426**	12,045
6. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,497,617)**	(775,286)
Prima facie tax benefit at the Australian tax rate of 30%	**(749,285)**	(232,586)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**53,509**	9,878
Sundry items	**236**	10
	(695,540)	(222,698)
Movements in unrecognised temporary differences	**(549)**	(22,373)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**696,089**	245,071
Income tax expense	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Capital raising costs	**83,363**	54,202
Provisions for impairment	**79,359**	44,134
Other	**13,500**	13,500
Carry forward tax losses	**1,940,659**	1,244,569
	2,116,881	1,356,405
Deferred Tax Liabilities (at 30%)	-	-
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**493,773**	219,252
Short-term deposits	**1,063,110**	-
Cash and cash equivalents	**1,556,883**	219,252

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011	2011 $	2010 $
8. TRADE AND OTHER RECEIVABLES		
Government taxes receivable	**264,531**	147,113
Provision for impairment (note (a))	**(264,531)**	(147,113)
Other receivables	**7,437**	9,432
	7,437	9,432

(a) Impaired receivables

As at 30 June 2011 the GTS receivable from the Group's operations in Chile (tax similar to Australia's GST), with a nominal value of $264,531 (2010: $147,113), has been provided for in full. The GTS may only be recoverable once the Group's operations are producing revenue in Chile.

Movements in the provision for impairment of receivables are as follows:

	2011 $	2010 $
Balance at the beginning of the year	**147,113**	145,734
Exchange differences	**(20,008)**	(10,666)
Provision for impairment recognised during the year	**137,426**	12,045
	264,531	147,113

9. PLANT AND EQUIPMENT

Plant and equipment	2011 $	2010 $
Cost	**23,413**	9,389
Accumulated depreciation	**(10,217)**	(8,497)
Net book amount	**13,196**	892

Plant and equipment	2011 $	2010 $
Opening net book amount	**892**	4,393
Exchange differences	**(407)**	-
Additions	**14,443**	-
Depreciation charge	**(1,732)**	(3,501)
Closing net book amount	**13,196**	892

10. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables	**34,067**	22,484
Other payables and accruals	**76,716**	49,745
	110,783	72,229

11. ISSUED CAPITAL

(a) Share capital

		2011		2010	
	Notes	Number of shares	$	Number of shares	$
Ordinary shares fully paid	11(b), 11(d)	**77,408,477**	**7,849,148**	34,917,510	4,268,799
Total issued capital		**77,408,477**	**7,849,148**	34,917,510	4,268,799

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

11. ISSUED CAPITAL (cont'd)

(b) Movements in ordinary share capital

	2011		2010	
	Number of shares	$	Number of shares	$
Beginning of the financial year	**34,917,510**	**4,268,799**	26,450,010	3,602,414
Issued during the year:				
– Issued for cash at 5 cents per share	**28,215,967**	**1,410,798**	-	-
– Issued as consideration for tenement acquisitions	**550,000**	**91,000**	-	-
– Issued for cash at 8 cents per share	**-**	**-**	4,500,000	360,000
– Issued for cash at 9 cents per share	**-**	**-**	3,967,500	357,075
– Issued on exercise of 10 cent options	**4,500,000**	**450,000**	-	-
– Issued for cash at 20 cents per share	**9,225,000**	**1,845,000**	-	-
Less: Transaction costs	**-**	**(216,449)**	-	(50,690)
End of the financial year	**77,408,477**	**7,849,148**	34,917,510	4,268,799

(c) Movements in options on issue

	Number of options	
	2011	2010
Beginning of the financial year	**14,400,000**	9,750,000
Issued during the year:		
– Exercisable at 10 cents, on or before 30 Jun 2011	**-**	4,500,000
– Exercisable at 10 cents, on or before 30 Sep 2012	**600,000**	-
– Exercisable at 15 cents, on or before 23 Aug 2013	**-**	75,000
– Exercisable at 20 cents, on or before 23 Aug 2013	**-**	75,000
– Exercisable at 31 cents, on or before 30 Nov 2013	**2,400,000**	-
Exercised during the year:		
– Exercisable at 10 cents, on or before 30 Jun 2011	**(4,500,000)**	-
End of the financial year	**12,900,000**	14,400,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2011 and 30 June 2010 is as follows:

	2011	2010
	$	$
Cash and cash equivalents	**1,556,883**	219,252
Trade and other receivables	**7,437**	9,432
Trade and other payables	**(110,783)**	(72,229)
Working capital position	**1,453,537**	156,455

Notes to the Consolidated Financial Statements continued

30 JUNE 2011	2011 $	2010 $
12. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Foreign currency translation reserve	**79,073**	30,781
Share-based payments reserve	**274,837**	96,475
	353,910	127,256
Movements:		
Foreign currency translation reserve		
Balance at beginning of year	**30,781**	24,524
Currency translation differences arising during the year	**48,292**	6,257
Balance at end of year	**79,073**	30,781
Share-based payments reserve		
Balance at beginning of year	**96,475**	63,550
Options issued to employees and contractors	**178,362**	32,925
Balance at end of year	**274,837**	96,475

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

13. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation	2011 $	2010 $
Short-term benefits	**273,250**	244,500
Post employment benefits	**21,575**	18,700
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**105,102**	-
	399,927	263,200

Detailed remuneration disclosures are provided in the remuneration report on pages 13 and 14.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

13. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 14.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Genesis Minerals Limited							
Michael Haynes	**1,000,000**	**500,000**	**-**	**-**	**1,500,000**	**1,250,000**	**250,000**
Michael Fowler	**5,000,000**	**1,500,000**	**-**	**-**	**6,500,000**	**5,750,000**	**750,000**
Graeme Smith	**500,000**	**400,000**	**-**	**-**	**900,000**	**700,000**	**200,000**

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Genesis Minerals Limited							
Michael Haynes	1,000,000	-	-	-	1,000,000	1,000,000	-
Michael Fowler	5,000,000	-	-	-	5,000,000	5,000,000	-
Graeme Smith	500,000	-	-	-	500,000	500,000	-

All vested options are exercisable at the end of the year.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Genesis Minerals Limited				
Ordinary shares				
Michael Haynes	**660,000**	**-**	**333,334**	**993,334**
Michael Fowler	**2,000,000**	**-**	**1,166,667**	**3,166,667**
Graeme Smith	**60,000**	**-**	**40,001**	**100,001**

2010	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Genesis Minerals Limited				
Ordinary shares				
Michael Haynes	660,000	-	-	660,000
Michael Fowler	2,000,000	-	-	2,000,000
Graeme Smith	60,000	-	-	60,000

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011	2011 $	2010 $

14. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services		
Bentleys - audit of financial reports	**25,650**	21,450
Total remuneration for audit services	**25,650**	21,450

15. CONTINGENCIES

There are no contingent liabilities or contingent assets of the Group at balance date.

16. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	**2,200,000**	41,000
later than one year but not later than five years	**-**	123,000
	2,200,000	164,000

(b) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 14 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	**75,625**	44,000
later than one year but not later than five years	**-**	-
	75,625	44,000

17. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Genesis Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 13.

(d) Loans to related parties

Genesis Minerals Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Genesis Minerals (Chile) S.A., totalling $2,783,406 (2010: $1,286,941) at 30 June 2011. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

18. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding(1)	
			2011 %	2010 %
Genesis Minerals (Chile) S.A.	Chile	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

19. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

20. CASH FLOW INFORMATION

	2011 $	2010 $
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,497,617)**	(775,286)
Non-Cash Items		
Depreciation of non-current assets	**1,732**	3,501
Share based payments expense	**269,362**	32,925
Net exchange differences	**49,294**	6,526
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in trade and other receivables	**1,129**	(5,115)
(Decrease)/increase in trade and other payables	**39,340**	4,581
Net cash outflow from operating activities	**(2,136,760)**	(732,868)

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during either the 2011 or 2010 financial years.

21. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(2,497,617)**	(775,286)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**59,519,619**	31,556,421

Notes to the Consolidated Financial Statements continued

30 JUNE 2011

22. SHARE-BASED PAYMENTS

(a) Employees and contractors options

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted ranges from 15 to 31 cents with expiry dates ranging from 28 February 2013 to 30 November 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	2011		2010	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**650,000**	**19.4**	500,000	20.0
Granted	**3,000,000**	**26.8**	150,000	17.5
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	**3,650,000**	**25.5**	650,000	19.4
Exercisable at year-end	**2,450,000**	**22.8**	650,000	19.4

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.12 years (2010: 2.78), with exercise prices ranging from 15 to 31 cents.

The weighted average fair value of the options granted during the year was 7.6 cents (2010: 21.7). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2011	2010
Weighted average exercise price (cents)	26.8	20.0
Weighted average life of the option (years)	2.8	6.0
Weighted average underlying share price (cents)	18.6	25.0
Expected share price volatility	72.1%	109.5%
Risk free interest rate	4.7%	6.5%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Shares issued to suppliers

During the financial year ended 30 June 2011 a total of 550,000 ordinary shares were issued at a deemed cost of $91,000 as consideration per tenement acquisition agreements and have been included as part of 'Exploration expenses' on the statement of comprehensive income.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2011	2010
	$	$
Options issued to employees as part of share-based payment expenses	**178,362**	32,925
Shares issued to suppliers as part of exploration expenses	**91,000**	-
	269,362	32,925

Notes to the Consolidated Financial Statements continued

30 JUNE 2011	2011 $	2010 $

23. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Genesis Minerals Limited, at 30 June 2011. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

Current assets	**1,472,555**	213,644
Non-current assets	**5,019**	892
Total assets	**1,477,574**	214,536
Current liabilities	**78,282**	63,668
Total liabilities	**78,282**	63,668
Issued capital	**7,849,148**	4,268,799
Share-based payments reserve	**274,837**	96,475
Accumulated losses	**(6,724,693)**	(4,214,406)
Total equity	**1,399,292**	150,868
Loss for the year	**(2,510,287)**	(771,887)
Total comprehensive loss for the year	**(2,510,287)**	(771,887)

The parent entity did not have any contingent liabilities, or any contractual commitments for the acquisition of property, plant and equipment, as at 30 June 2011 or 30 June 2010.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 45 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

(b) subject to the matter at note 1(a), there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

M Fowler

Michael Fowler
Managing Director

Perth, 30 September 2011

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Genesis Minerals Limited

We have audited the accompanying financial report of Genesis Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a. The financial report of Genesis Minerals Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, attention is drawn to the following matter. As a result of matters described in Note 1: Going Concern to the financial report, uncertainty exists whether Genesis Minerals Limited and Controlled Entities will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Genesis Minerals Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 30th day of September 2011

ASX Additional Information continued

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28th September 2011.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	9	1,918
1,001	-	5,000	30	101,955
5,001	-	10,000	64	573,902
10,001	-	100,000	252	9,533,399
100,001		and over	117	67,197,303
			472	**77,408,477**
The number of shareholders holding less than a marketable parcel of shares are:			27	52,267

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Penson Australia Nominees Pty Ltd	5,041,666	6.51
2	Argonaut Equity Partners Pty Limited	4,686,667	6.05
3	Westoria Resource Investments Ltd	4,000,000	5.17
4	HSBC Custody Nominees (Australia) Limited	3,225,289	4.17
5	Mr Michael Fowler	3,166,667	4.09
6	Dgali Investments Pty Ltd	2,866,667	3.70
7	Mr Denis John Reynolds	2,575,000	3.33
8	Mr Geoffrey Norman Barnesby-Johnson + Ms Catherine Jane Halvorsen	1,840,000	2.38
9	Argonaut Investments Pty Ltd	1,666,667	2.15
10	Stateline Investments Pty Ltd	1,326,929	1.71
11	Gecko Resources Pty Ltd	1,300,000	1.68
12	Halson Corporation Pty Ltd	1,250,000	1.61
13	Mr Henry Wiechecki	1,223,851	1.58
14	Scintilla Strategic Investments Limited	1,125,000	1.45
15	Citicorp Nominees Pty Limited	1,025,168	1.32
16	Greenslade Holdings Pty Ltd	1,000,000	1.29
17	Mr Michael Haynes	993,334	1.28
18	Mr Glenn Alan Haythornthwaite	750,000	0.97
19	Mr Henry Wiechecki	750,000	0.97
20	Mr Leslie Alan Panting + Mrs Fiona Joy Panting	688,464	0.89
		40,501,369	**52.3**

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Argonaut Equity Partners Pty Limited	4,686,667
Westoria Resource Investments Ltd	4,000,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.