



Genex Power Limited

2018 ANNUAL REPORT

ABN 18 152 198 854

www.genexpower.com.au





Genex Power
creating renewable
energy on tap

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1. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors of Genex Power Limited (**Genex** or **Company**) it is with great pleasure that I present to you this annual report for 2018, a year in which the Company achieved a great number of milestones.

Building on the success of previous years, 2018 proved to be a significant period for the development and transformation of Genex. This was epitomised by the Company achieving its first project revenue following the successful energisation of the 50MW Kidston Solar project (**KS1**), built on-time and on-budget. KS1 has been generating electricity for sale into the National Electricity Market (**NEM**) since December 2017 and the Company has been receiving revenue since that time.

In addition, the Company has made significant progress on the development of its Stage 2 projects comprising the 250MW Pumped Storage Hydro Project (**K2H**) and the multi-staged solar farm of up to 270MW (**K2S**), which are both targeted for financial close in late 2018. The Company also announced the commencement of a feasibility study into the development of a wind farm of up to 150MW at Kidston and continues to look at developing new innovative projects that expand and complement the Company's portfolio.

A summary of the progress of each of the Company's projects is outlined in the CEO's Review of Operations. I would like to acknowledge the strong support Genex has received from a number of bodies including the Federal Government through the Australian Renewable Energy Agency (**ARENA**), which provided \$8.9 million in funding to support the construction of KS1, in addition to their support of up to \$9 million in funding to support the development of the Stage 2 projects. The Federal Government, through the Northern Australia Infrastructure Facility (**NAIF**), has also expressed its support for the development of the financing structure for Stage 2 through the provision of an indicative term sheet for a long-term concessional debt facility of up to \$516m. The concessional funding from NAIF would provide the backbone of the project financing fundamentals for Stage 2. The concessional funding is subject to a number of conditions including project offtake.

Genex would also like to acknowledge the support of the Queensland State Government through providing a 20-year revenue support deed for KS1 and designating the Kidston Renewable Energy Hub as '*Critical Infrastructure*' to the State.

On the corporate front, the Company received a financial boost from the exercise of the Loyalty Options issued in conjunction with the Company's IPO in 2015 with a total of just over \$3.2m raised with the majority of those funds coming in the 2018 Financial Year (**FY**). At the end of the FY, the Company had a healthy cash position of \$10,994,349.

With Genex's transition from early stage development to implementation and delivery of the Kidston Renewable Energy Hub and focus on expanding its project pipeline, the Board took the opportunity to undertake a Board renewal and CEO succession strategy. The Board was pleased to welcome the appointment of Mr James Harding as CEO and Ms Teresa Dyson as a non-executive director. James was previously Genex's Executive General Manager since mid-2016 and has been responsible for delivering projects across the world and was instrumental in the successful delivery of KS1. Teresa also brings a wealth of long standing Government, electricity and business relationships and experience to the Company. As part of the renewal process, Michael Addison, the former Managing Director, transitioned to the role of non-executive director and remains very much active in the strategic direction of Genex with a commensurate consulting role as a strategic adviser consulting on project delivery and the project pipeline.

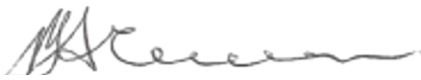
Looking ahead, the Company has set a firm target for achieving financial close for Stage 2 by the end of this calendar year and the Board and management are actively working on the key work streams associated with this. We will continue



to look for new opportunities without losing focus on Stage 2 which will be transformative for Genex. We remain diligent when selecting potential projects for inclusion in our development pipeline. We are very enthusiastic about the development of a wind farm at Kidston, which can potentially not only provide Genex with significant additional generation capacity for dispatch into the NEM, but in combination with KS1 and our Stage 2 projects, provide inversely correlated generation which could enable the dispatch of firm clean renewable electricity 24 hours a day, 7 days a week.

Genex is a small company with large aspirations. I am grateful for the focus and effort of the entire management team throughout the year. I wish to also thank my fellow directors for their support and diligence in overseeing the activities of Genex over the last 12 months. It has been a period of intense activity. On behalf of the Board, I thank all shareholders for their support over the last year and extend a warm welcome to all new shareholders that have joined us on our journey.

Yours faithfully,



Dr Ralph Craven

Non-Executive Chairman

2. CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Company Overview:

I am pleased to present this Review of Operations for the first time in my new role as Chief Executive Officer (**CEO**).

Throughout the 2018 Financial Year (**FY**), the Genex executive and management team continued to work in a diligent and focused manner on its key objectives of developing the capability to deliver the generation and storage of renewable energy from our Kidston renewable energy hub in North Queensland by integrating large-scale solar and wind with pumped storage hydro.

The Genex Kidston Renewable Energy Hub is a world first, innovative integration of intermittent renewable energy with low-cost energy storage, creating "Renewable Energy On Tap".

Genex has achieved a number of significant milestones across the FY summarised in the following snapshot of key announcements released to the ASX.



Date	Key Announcement
H2 2017:	
12 July	GNX Welcomes NAIF Approval to Proceed to Full DD Phase
18 August	Genex Signs Binding Heads of Agreement with Powerlink
29 August	Genex Secures Generation Authority for Kidston Solar Phase 1
20 October	Pumped Storage Hydro Update – Feasibility Optimisation
23 October	McConnell Dowell/Downer JV – preferred Hydro EPC Contractor ¹
17 November	Genex Secures up to \$5.0 million Funding from ARENA
24 November	Genex Achieves Energisation for Kidston Solar Stage 1
4 December	Genex Achieves First Revenue for Kidston Solar Stage 1
12 December	UGL Appointed as Preferred EPC Contractor for Stage 2 Solar
H1 2018:	
12 February	Kidston Renewable Energy Hub Project Updates
3 April	Secures DA for Stage 2 Solar – Moves Towards Financial Close
5 April	Exclusive Option to Develop New Wind Project at Kidston
7 May	GNX Implements Board Renewal & CEO Succession Strategy
20 June	NAIF Approves Indicative Term Sheet for up to \$516m Funding

Stage 1 - 50MW Kidston Solar Project (KS1):

Following financial close in February 2017, Genex successfully delivered its first project, the 50MW solar farm (**KS1**), which was constructed on the tailings storage facility at the old Kidston mine. The project was completed on-time and on-budget, having achieved first energisation in November 2017 and subsequently achieving first revenues in December 2017.

Since energisation on the electricity network, KS1 has progressed through the necessary commissioning steps, resulting in a progressive ramp-up in generation capacity. Full commercial operation (**Practical Completion**) is scheduled for 1 November 2018. On 31 July 2018 the 20-year Revenue Support Deed with the Queensland State Government commenced in accordance with the terms announced to the ASX on 8 September 2016. Prior to 31 July, Genex received revenue from the sale of electricity into the spot-market in addition to the spot sales of Large-Scale Generation Certificates (**LGC's**). Revenues earned in FY18 from these two sources totalled \$8.27m.

¹ The JV was restructured in January 2018 with John Holland Pty Ltd replacing Downer EDI as JV partner alongside McConnell Dowell.

Stage 2 - 250MW Kidston Pumped Storage Hydro Project (K2H) & the Kidston Solar Project (K2S):

During 2018, Genex was able to successfully complete a number of significant milestones for the Kidston Stage 2 project (K2) which comprises the K2H and K2S projects.

Of greatest significance in the development of K2 was the execution of a conditional term sheet with the Northern Australia Infrastructure Facility (NAIF) for up to \$516M in concessional debt financing (*refer ASX Announcement of 20 June 2018*). The concessionality is measured in the long-tenure, low interest and subordinated nature of the loan, which are key benefits that NAIF can provide in order to promote infrastructure development in the Northern Australian region. Locking in the concessional debt financing is a very positive step forward as it provides the necessary framework to finalise offtake arrangements, secure the remaining debt and equity financing requirements and complete the outstanding project development components in order to reach financial close within calendar year 2018.

In addition to executing the NAIF term sheet, the Commonwealth Government continued to provide further support for Genex, with ARENA providing up to \$5M in grant funding towards the development of the K2 projects. To date, ARENA have provided \$8.9M in grant funding for KS1 and, with this latest ARENA funding, up to \$9M towards the development of K2.

During the FY, Genex was able to complete a number of other significant developments for K2. Following the commencement of an Early Contractor Involvement (ECI) process, the Company is now working with a Joint Venture (JV) comprising McConnell Dowell and John Holland as preferred Engineering Procurement and Construction (EPC) Contractor for K2H and with UGL as preferred EPC Contractor for K2S as a consequence of UGL's successful build of KS1. Subsequent to the selection of the K2H preferred contractor, global technology leader ANDRITZ was selected by the JV as the hydro-electric turbine equipment suppliers.

Overall, the Company has set a firm target for achieving financial close in calendar year 2018.

Stage 3 - 150MW Kidston Wind Project (K3W)

In anticipation of the timely completion of project financing for K2, the Company has expanded its future project pipeline through the execution of an exclusive land option in Kidston to develop a large-scale wind project up to 150MW in capacity.

Pre-feasibility studies and resource monitoring activities have been initiated and over the coming months, the Company will look to determine whether the wind resource and capacity profile is viable from an economic perspective and proceed with pre-development works.

K3W represents the first in a series of long-term projects which Genex will look to engage in following the completion of K2, as part of the Company's portfolio expansion.

Company Outlook:

With KS1 substantially completed and generating revenue, the Company now has an active cash flow that will underpin further corporate development. Over the coming months, the Company expects to meet its most significant milestone to date which will be financial close for K2. The K2 projects are the flagship projects of the Company with K2H being the keystone project upon which the Company was founded. With the indicative approval from NAIF for up to \$516M in concessional debt funding, Genex is now in a very strong position to finalise the remaining debt, equity and offtake components for the K2 projects.

Further, we are looking to expand our development portfolio in order to diversify across projects, forms of technology and locations as we transition from a small, pre-development company to a mature, proven leader in renewables and energy storage.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J Harding', with a long horizontal flourish extending to the right.

James Harding

Chief Executive Officer

3. DIRECTORS' REPORT & REMUNERATION REPORT

The directors present their report, together with the consolidated financial statements, of Genex Power Limited consisting of Genex Power Limited (referred to hereafter as '**Genex**', the '**Company**' or '**parent entity**') and the entities it controlled at the end of, or during, the twelve-month period ended 30 June 2018 (referred to hereafter as the '**consolidated entity**').

Directors

The following persons were directors of Genex Power Limited during the whole of the year and up to the date of this report, unless otherwise stated:

Dr Ralph Craven
Michael Addison
Yongqing Yu
Alan du Mée
Teresa Dyson (appointed 7 May 2018)
Ben Guo
Simon Kidston

Principal activities

The consolidated entity's principal activity during the period was the development of the Kidston Renewable Energy Hub in Far North Queensland (**FNQ**).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

The principal activities of the consolidated entity during the course of the year consisted of the development of the Kidston Renewable Energy Hub located in FNQ comprising:

1. the Stage 1 50MW Kidston Solar Project (**KS1**); and
2. the Stage 2 projects (**K2**) incorporating the 250MW pumped storage hydroelectric project (**K2H**) and the multi-stage solar project up to 270MW (**K2S**).
3. Start of Assessment of (**K3W**) 150MW of wind power at Kidston.

For the year ended 30 June 2018, the consolidated entity incurred an after-tax loss of \$7.46 million. The majority of expenditure was incurred on the development of KS1 and the K2 Projects.

During the 2018 financial year Genex received an aggregate amount of \$3,224,750 through the exercise of Loyalty Options issued to shareholders who received shares during the Company's IPO in 2015. All Loyalty Options have now been exercised or expired.

During the year, Genex continued to draw down on the senior project loan as it progressed with the construction of KS1. As at the 30 June 2018, Genex has drawn down \$99.7m from the senior project loan. Construction of KS1 was completed in November 2017, with the project energised and commissioned in November 2017 and achieving first revenues shortly thereafter in December 2017 via the sale of electricity into the National Electricity Market (**NEM**) and Large-Scale Generation Certificates (**LGCs**). As at 30 June 2018, Genex has recorded \$8.27m in revenue from KS1.

Matters subsequent to the end of the year

There have been no other material events or circumstances which have arisen since 30 June 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity expects to rapidly progress the development of the K2 projects with a view to reaching financial close by the end of 2018.

Environmental regulation

The Kidston Energy Hub Site is covered by a Mining Lease (**ML**) No. 3347 and Environmental Authority (**EA**) No. EPML000817013, which were originally granted to Kidston Gold Mines Limited (**KGML**) under the *Environmental Protection Act (1994) (QLD)*, at a time when KGML was a subsidiary of Barrick Gold Corporation and the site was operated as a gold mine. The EA has operative provisions relating to:

- General;
- Air;
- Water;
- Noise and Vibration;
- Regulated dams; and
- Land and Rehabilitation.

Some of the provisions of the EA are inconsistent with Genex' current use of the site as an operator and developer of diverse renewable energy. Genex is currently in discussions with the Department of Environment and Science (**DES**) about amending certain provisions of the EA which it cannot strictly comply with given the current site use.

Information on directors

Name: Dr Ralph Craven

Title: Non-Executive Chairman

Qualifications: BE PhD, FIEAust, FIPENZ, FAICD

Special Responsibilities: Member, Audit & Risk Management Committee and Chair, Remuneration Committee



Experience and expertise:

Dr. Craven has respected credentials in energy, transmission infrastructure and power generation and electricity retailing. Dr. Craven has a number of public company roles including non-executive director of Senex Energy Limited (September 2011 to present) and AusNet Services Limited (January 2014 to present). He is the current independent non-executive Chair of Stanwell Corporation. Dr. Craven has held senior executive positions with energy companies in Australia and New Zealand. He was formerly Chief Executive Officer of Transpower New Zealand Ltd, an Executive Director of NRG Asia-Pacific and General Manager Power Marketing and Development with Shell Coal Pty Ltd.

His previous roles include Chairman of Ergon Energy Corporation Limited and Chairman of Tully Sugar Limited. Dr. Craven was Deputy Chairman of Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina). Dr. Craven was previously a non-executive director of Invion Limited (2011 to April 2015) and Mitchell Services Limited (2011 to November 2014).

Name: Michael Addison

Title: Non-Executive Director (Managing Director until 7 May 2018)

Qualifications: BSc (Eng), MPhil (Oxon), MAICD, FAIM

Special Responsibilities: Member, Audit & Risk Management Committee



Experience and expertise:

Michael is a former water engineer with experience in large dam, spillway and water reticulation systems design. He also has considerable international corporate finance experience, having spent a number of years as an investment banker with three globally recognised investment banks. Subsequent to transitioning into mainstream corporate management in the early nineties, Michael has held a number of senior executive positions on the boards of publicly listed companies on each of the London, Johannesburg and Australian Securities Exchanges. In these roles he developed deep expertise in the management and running of listed companies and an intimate working knowledge of the regulatory, legal and governance environments in which listed companies operate. Michael was previously a director of Carabella Resources Limited, Stratum Metals Limited, Frontier Diamonds Limited (6 September 2017 to 4 June 2018) and Intra Energy Corporation (1 June 2017 to 28 September 2017).

Michael is a former Rhodes Scholar, has an Oxford University postgraduate degree in Management Studies, is a Fellow of the Australian Institute of Management and is a Member of the Australian Institute of Company Directors. Michael is a founding director and shareholder of Genex.

Name: Alan du Mée

Title: Non-Executive Director

Qualifications: MSc., MBA, FAICD, FAIM, MIIE

Special Responsibilities: Member (and former Chair), Audit & Risk Management Committee and Member, Remuneration Committee



Experience and expertise:

Mr. du Mée has deep operational experience in power generation operations and development. He was Chief Executive Officer of Tarong Energy, a major Queensland power company which is now part of Stanwell Corporation Limited. While at Tarong Energy, Mr. du Mée was responsible for the development of Tarong North power station in Queensland, the Starfish Hill windfarm in South Australia and the sale of a 50% of the Tarong North power station to a Japanese

consortium. He also had responsibility for the 600MW Wivenhoe Pumped Storage Plant, the second largest hydro pumped storage plant in Australia.

Mr. du Mée is a past Chairman of the Australian National Generators Forum and was a director of BHP Engineering between April 1991 and November 1996. He is also a director of A Solid Foundation Pty Limited, and has been engaged by Glencore Coal Assets Australia to assist it with its CCS development strategy.

Name: Teresa Dyson (appointed 7 May 2018)

Title: Non-Executive Director

Qualifications: (LLB (Hons), BA, MTax, MAppFin, GAICD)

Special Responsibilities: Chair, Audit & Risk Management Committee



Teresa is a director and Audit & Risk Committee Chair of ASX-listed Seven West Media Ltd (2017 – Present). Teresa is also a director of Energy Qld Ltd, Energy Super, Power & Water Corporation, UN Women National Committee Australia and Opera QLD and Deputy Chair of the Gold Coast Hospital & Health Board. She is a member of the Foreign Investment Review Board and the Takeovers Panel.

Teresa has a broad legal practice across infrastructure, financial structuring, social infrastructure and taxation law, and is currently a Consultant at McCullough Robertson. Teresa has previously been Chair of the Board of Taxation and a Partner of Ashurst and Deloitte and was named Woman Lawyer of the Year in 2011 by the Women Lawyers Association of Queensland.

Name: Simon Kidston

Title: Executive Director

Qualifications: BCom, GradDipAppFin, MAIDC

Special Responsibilities: Member, Remuneration Committee



Experience and expertise:

Simon is a founding director and shareholder of Genex. Prior to Genex, Simon successfully established 3 ASX listed companies, Endocoal Limited, Carabella Resources Limited and Estrella Resources Limited.

In addition, Simon has over 20 years' investment banking experience in Australia and overseas with groups such as Macquarie Bank Limited, HSBC and Helmsec Global Capital Limited. During this period, he assisted companies grow by accessing capital, negotiating strategic relationships and acquisitions. He has a Bachelor of Commerce degree and is a Member of the Australian Institute of Company Directors.

Name: Ben Guo

Title: Finance Director

Qualifications: BCom, Finance (Hons 1st) and Accounting

Special Responsibilities: Nil



Experience and expertise:

Ben has over 10 years' management experience in Australia. Prior to joining Genex, he held senior financial roles at Helmsec Global Capital Limited and Estrella Resources Limited. Ben has also worked at PwC Corporate Finance and Ernst & Young.

Name: Yongqing Yu

Title: Non-Executive Director

Special Responsibilities: Nil



Experience and expertise:

Mr. Yongqing Yu is the Vice Chairman of Shenzhen listed Zhefu, one of the largest hydroelectric electrical and mechanical equipment manufacturers in China and Genex's largest shareholder. Mr. Yu has been a key member of Zhefu since the

company's inception. He is a senior engineer and has extensive hydro experience. Yongqing has been involved in many significant projects including the Shuangling Hydropower Project in Liaoning Province, the Wanmipo Hydropower Project in Hunan province and the Changzhou Hydropower Project in the Guangxi Zhuang Autonomous Region of China. Mr Yu's technical expertise and experience in working with large scale international projects significantly strengthens the Genex Board's already robust level of technical, industry and corporate experience.

Name: Justin Clyne

Title: Company secretary

Qualifications: LLM (UNSW) ACIS, AGIA, MAICD



Experience and expertise:

Justin Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a Barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services.

Justin is a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally. Justin holds a Master of Laws in International Law from the University of New South Wales and is a qualified Chartered Company Secretary.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and its Committees held during the year ended 30 June 2018, and the number of meetings attended by each director was:

Name	Board		Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
Dr Ralph Craven	12	12	3	3	2	2
Michael Addison	12	12	3	3	-	2
Simon Kidston	12	10	-	-	2	2
Ben Guo	12	12	-	3	-	2
Alan du Mee	12	11	3	3	2	2
Teresa Dyson	1	1	-	-	-	-
Yong Qing Yu	12	-	-	-	-	-

'Held' represents the number of meetings held during the time the director was in office or was a member of the relevant committee. While Mr Yu did not attend any Board meetings, a representative from Zhefu Corporation attended 1 Board meeting throughout the period on behalf of Mr Yu as an observer only.

Remuneration Report: Audited

The Board is responsible for determining and reviewing compensation arrangements for the directors and executive management. The Board assesses the appropriateness of the nature and amount of remuneration of key personnel on an annual basis. In determining the amount and nature of officers' packages, the Board takes into consideration the Company's financial and operational performance along with industry and market conditions.

Remuneration packages of the Company's senior executives and the CEO include a mix of fixed remuneration and performance-based remuneration. The fixed component consists of base remuneration, allowances and superannuation.

The Constitution provides that the non-executive Directors may be paid for their services as Directors, however the sum payable must not exceed such fixed sum per annum as determined by the Company at the annual general meeting, to be

divided among the non-executive Directors and in default of agreement then in equal shares. The sum fixed by the Company as the aggregate limit for the payment of non-executive Directors is \$400,000 per annum.

A Director may be paid additional fees or other amounts as the Remuneration Committee determine where a Director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company. A Director may also be reimbursed for any disbursements or any other out of pocket expenses properly incurred as a result of their directorship or any special duties.

The Company's remuneration policy aims to align the corporate goals and objectives of the Company with the remuneration paid to the Chief Executive Officer or equivalent and Senior Executives and considers both short term and long-term compensation. The Company also looks at comparative data from other companies and the amount of time required given the Company only has a small management team.

During the year while the Company's focus was on the development of the Kidston Renewable Energy Hub, remuneration was weighted towards long term rewards with the granting of options to the Company's Chief Executive Officer (former Executive General Manager) and 2 other senior executives.

This Remuneration Report outlines the arrangements which were in place during the year ended 30 June 2018 for the Directors and key management personnel.

	Short-term benefits Cash Salary and Fees	Post employee benefits Superannuation benefits	Share-based payments	Total
2018	\$	\$	\$	\$
Executive Directors				
M Addison	353,155	29,231	-	382,386
S Kidston	300,000	28,500	-	328,500
B Guo	300,000	28,500	-	328,500
Non-Executive Directors				
R Craven	115,000	10,925	-	125,925
A du Mee	80,000	7,600	-	87,600
Teresa Dyson	10,956	1,040	-	11,996
Yongqing Yu	-	-	-	-
Sub-Total	1,159,111	105,796	-	1,264,907
Chief Operating Officer				
A McGhie	330,000	31,350	122,361	483,711
Chief Executive Officer				
James Harding	303,043	28,789	133,977	465,809
Sub-Total	633,043	60,139	256,338	949,520
Total	1,792,154	165,935	256,338	2,214,427

	Short-term benefits Cash Salary and Fees	Post employee benefits Superannuation benefits	Share-based payments	Total
2017	\$	\$	\$	\$
Executive Directors				
M Addison	350,000	33,250	340,530	723,780
S Kidston	300,000	28,500	340,530	669,030
B Guo	300,000	28,500	340,530	669,030

Non-Executive Directors

R Craven	110,000	10,450	170,265	290,715
A du Mee	80,000	7,600	-	87,600
Yongqing Yu	-	-	-	-

Sub-Total	1,140,000	108,300	1,191,855	2,440,155
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Chief Operating Officer

A McGhie	330,000	31,350	77,394	438,744
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Executive General Manager

James Harding	294,308	27,959	63,414	385,681
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Sub-Total	624,308	59,309	140,808	824,425
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Total	1,764,308	167,609	1,332,663	3,264,580
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Period of Service

Michael Addison	15 July 2011 to current
Simon Kidston	1 August 2013 to current
Ben Guo	25 October 2013 to current
Ralph Craven	1 July 2014 to 26 March 2015 and 29 May 2015 to current
Alan du Mée	1 July 2014 to 26 March 2015 and 29 May 2015 to current
Teresa Dyson	7 May 2018 to current
Yongqing Yu	8 February 2016 to current

Key Management Personnel (KMP)'s Interests in the Company

The shares and options held by the KMPs as at 30 June 2018 and at the date of this report are as follows:

Shares

Personnel	Balance as at 1 July 2017	Granted as remuneration	Received on exercise	Purchases	Balance as at 30 June 2018
Michael Addison	28,500,000	-	-	-	28,500,000
Simon Kidston	20,881,931	-	-	-	20,881,931
Ben Guo	2,108,181	-	-	-	2,108,181
Ralph Craven	340,909	-	-	-	340,909
Alan du Mee	238,637	-	-	-	238,637
Teresa Dyson	Nil	-	-	-	Nil
Yongqing Yu	Nil	-	-	-	Nil

Personnel	Balance as at 1 July 2016	Granted as remuneration	Received on exercise	Purchases	Balance as at 30 June 2017
Michael Addison	27,500,000	-	-	1,000,000	28,500,000
Simon Kidston	20,720,000	-	-	161,931	20,881,931
Ben Guo	2,040,000	-	-	68,181	2,108,181
Ralph Craven	250,000	-	-	90,909	340,909
Alan du Mee	200,000	-	-	38,637	238,637
Yongqing Yu	Nil	-	-	-	Nil

Options

Personnel	Balance as at 1 July 2017	Granted as remuneration	Date of Grant during period	Fair value per option at grant date	Balance as at 30 June 2018
Michael Addison	5,000,000	-	-	-	5,000,000
Simon Kidston	5,000,000	-	-	-	5,000,000
Ben Guo	5,000,000	-	-	-	5,000,000
Ralph Craven	5,000,000	-	-	-	5,000,000
Alan du Mee	2,000,000	-	-	-	2,000,000
Teresa Dyson	-	-	-	-	-
Arran McGhie*	5,000,000	-	-	-	5,000,000
James Harding*	2,400,000	2,600,000	23/02/2018	0.1296	5,000,000

Personnel	Balance as at 1 July 2016	Granted as remuneration	Date of Grant during period	Fair value per option at grant date	Balance as at 30 June 2017
Michael Addison	1,000,000	4,000,000	17/1/2017	0.0851	5,000,000
Simon Kidston	1,000,000	4,000,000	17/1/2017	0.0851	5,000,000
Ben Guo	1,000,000	4,000,000	17/1/2017	0.0851	5,000,000
Ralph Craven	3,000,000	2,000,000	17/1/2017	0.0851	5,000,000
Alan du Mee	2,000,000	-	-	-	2,000,000
Arran McGhie*	5,000,000	-	-	-	5,000,000
James Harding*	-	2,400,000	2/9/2016	0.0602	2,400,000

*Options issued to Arran McGhie and James Harding have various vesting conditions based exclusively on milestones if the milestones are achieved before the options are expired (see note 24)

Options granted to CEO in FY18

Number	2,400,000
Value per option	\$0.1296
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.40
Vesting condition	The options will vest in 2 separate tranches upon the achievement of the following 2 milestones: <ul style="list-style-type: none"> Financial close of the Kidston Stage 2 Projects Successful completion of a bankable feasibility study for another project of not less than 30MW. If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2018, none of the options have vested.
Issue date	23 February 2018
Expiry date	13 February 2023
Option exercise period	At any time from date of vesting
Other conditions	None

There were no options issued to Directors during the 2018 financial year.

The 8,000,000 options held by Directors are exercisable at \$0.25 each and expire on 7 February 2019. The 14,000,000 options issued to Directors on 17 January 2017 are exercisable at \$0.34 and expire on 17 January 2022. There are no milestones for achievement or vesting associated with the options.

The 5,000,000 options issued to the COO on 6 August 2015 are exercisable at \$0.25 each and expire on 6 August 2020. The 2,400,000 options issued to the CEO on 2 September 2016 are exercisable at \$0.25 each and expire on 2 September 2021. The options will vest in 3 separate tranches upon the achievement of the following 3 milestones:

- Financial close of the Kidston Solar Phase One 50MW project;
- Financial close of the Kidston Pumped Storage Hydro project;
- Successful completion of a feasibility study for another project.

If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2018, 2,466,667 options have been vested.

Options granted to Directors and key management personnel take into account that the Company's funds are best utilised in advancing the development of the Kidston Renewable Energy Hub and that long-term rewards will be derived by preserving cash and incentivising Directors and Management with options with a strike price at a significant premium to the share price at the time of grant.

Executive Services Agreement (James Harding)

On 23 June 2016, the Company entered into an Executive Services Agreement (**Agreement**) with James Harding in his capacity as Executive General Manager. On 7 May 2018, that Agreement was varied with respect to the remuneration and duties to be performed (**Variation**) following Mr Harding's appointment as Chief Executive Officer (**CEO**). The key terms and conditions of the Agreement and Variation are summarised below.

- (**Term**) The appointment as CEO commenced on 7 May 2018 and is ongoing subject to the termination provisions.
- (**Services**) James Harding will provide the duties and responsibilities associated with the role of CEO and report to the Board regarding the overall responsibility for the day to day management of the business of the Company and with responsibility for overall reporting requirements and regularly reporting to the Board concerning the business and financial position of the Company.
- (**Remuneration**) James Harding will receive a gross salary of \$320,000 (excluding superannuation) per annum. In addition, James Harding may be granted, subject to any necessary shareholder approval, incentives to provide ongoing service and commitment to the Company.
- (**Entitlements**) James Harding is entitled to 5 weeks of annual leave per annum in addition to other employee entitlements that are customary to an agreement of this nature.
- (**Termination**) Both James Harding and the Company may terminate the agreement at any time and for any reason by giving 3 months' written notice to the other party. James Harding's employment may otherwise be terminated at any time for cause by notice to James Harding from the Company.

Executive Services Agreement (Arran McGhie)

On 16 July 2015, the Company entered into an Executive Services Agreement with Arran McGhie in his capacity as Chief Operating Officer. Pursuant to his agreement, Arran McGhie receives a gross salary of \$330,000 (excluding superannuation) per annum. The Executive Services Agreement is substantially on the same terms and conditions as the Executive Services Agreement with James Harding, the material provisions of which are summarised above.

Executive Services Agreements (Ben Guo and Simon Kidston)

On 1 May 2014, the Company entered into Executive Services Agreement with each of Ben Guo and Simon Kidston in their capacities as executive directors of the Company. Pursuant to their respective agreements, Simon Kidston receives a gross salary of \$300,000 (excluding superannuation) per annum and Ben Guo receives a gross salary of \$300,000 (excluding superannuation) per annum. Aside from the differences in remuneration, the Executive Services Agreements with Ben Guo and Simon Kidston are substantially on the same terms and conditions as the Executive Services Agreement with James Harding, the material provisions of which are summarised above with only non-material differences.

Consultancy Agreement (Michael Addison)

On 7 May 2018, the Company entered into a Services Consultancy Contract with Michael Addison on an arm's length basis to provide consulting services as a strategic adviser consulting on project delivery and the Company's project pipeline in addition to his role as a Non-Executive Director. The Contract provides for an hourly rate of \$250 plus GST and a monthly cap of \$20,900 plus GST. There is no fixed term and either party may terminate the Contract on 4 months' notice or payment in lieu.

Shares under option

Unissued ordinary shares of Genex Power Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of options
7 February 2014	7 February 2019	\$0.25	3,000,000
13 October 2014	7 February 2019	\$0.25	5,500,000
6 August 2015	6 August 2020	\$0.25	5,000,000
2 September 2016	2 September 2021	\$0.25	2,400,000
17 January 2017	17 January 2022	\$0.34	14,000,000
1 July 2017	17 January 2022	\$0.34	1,500,000
23 February 2018	13 February 2023	\$0.40	2,600,000
23 February 2018	13 February 2023	\$0.40	2,000,000
23 February 2018	13 February 2023	\$0.40	250,000

End of Remuneration Report

Among the vested Loyalty Options issued pursuant to the IPO, 16,523,750 options were exercised to date (capital received of \$3,224,750), 776,250 options were expired on 25 February 2018.

Loss per Share

The loss per share for Genex Power Limited for the year was 2.54 cents per share (FY17 2.98 cents).

Results of Operations and Dividends

The consolidated entity's net loss after taxation attributable to the members of Genex Power Limited for the year ended 30 June 2018 was \$7,461,082. The Directors of Genex have resolved not to recommend a dividend for the financial year ended 30 June 2018.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 part of those proceedings.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	\$
Income Tax Returns	28,400
Energy Market Studies	58,000
	<u>86,400</u>

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following page.

On behalf of the directors



Dr. Ralph Craven
(Non-Executive Chairman)

23 August 2018



Teresa Dyson
Non-Executive Director (Chair - Audit & Risk
Committee)

23 August 2018



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Auditor's Independence Declaration to the Directors of Genex Power Limited

As lead auditor for the audit of Genex Power Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Genex Power Limited and the entities it controlled during the financial year.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Lynn Morrison'.

Lynn Morrison
Partner
23 August 2018

5. FINANCIAL STATEMENTS

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General information

The financial statements cover Genex Power Limited as a consolidated entity consisting of Genex Power Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Genex Power Limited's functional and presentation currency.

Genex Power Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered Office

Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2018. The directors have the power to amend and reissue the financial statements.

Genex Power Limited**Consolidated statement of profit or loss and other comprehensive income****For the year ended 30 June 2018**

	Notes	30 June 2018	30 June 2017 Restated*
		\$	\$
Revenue			
Sale of electricity and environmental products		8,273,070	-
Other income		1,666,573	2,477,700
	5	9,939,643	2,477,700
Expenses			
Project site costs	6	(5,126,860)	(1,563,917)
Employee benefits	6	(2,751,178)	(3,418,623)
Administrative expenses		(2,272,128)	(1,252,366)
Compliance cost and regulatory fees		(182,694)	(688,556)
Project consulting costs		(1,192,486)	(671,680)
Legal fees		(43,289)	(1,138,152)
Travel and marketing		(224,114)	(264,982)
Depreciation		(3,017,338)	-
Net gain/loss on financial instruments at fair value through profit or loss		130,721	(600,168)
Total Expenses		(14,679,366)	(9,598,444)
Operating Loss		(4,739,723)	(7,120,744)
Finance costs	6	(2,970,877)	(176,403)
Finance income	7	249,518	359,097
Loss before tax		(7,461,082)	(6,938,050)
Income tax expense	8	-	-
Loss after income tax expense attributable to the owners of Genex Power Limited		(7,461,082)	(6,938,050)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net gain / (loss) on cash flow hedges		1,531	(1,668,494)
Total comprehensive loss for the year attributable to the owners of Genex Power Limited		(7,459,551)	(8,606,544)
		Cents	Cents
Basic earnings per share	34	(2.54)	(2.98)
Diluted earnings per share	34	(2.54)	(2.98)

* Certain amounts shown here do not correspond to the June 2017 financial statements and reflect adjustments made, refer to Note 1.

Genex Power Limited
Consolidated statement of financial position
As at 30 June 2018

	Notes	30 June 2018	30 June 2017 Restated*
Assets			
Current Assets			
Cash and cash equivalents	9	10,994,349	11,088,539
Trade and other receivables	10	861,524	1,024,415
Inventory	11	692,417	-
Prepayments	12	169,333	272,648
		12,717,623	12,385,602
Non-Current Assets			
Bank Guarantee	13	4,498,796	4,229,443
Plant Property and Equipment	14	118,431,013	47,441,554
Other Assets		-	18,270
		122,929,809	51,689,267
Total Assets		135,647,432	64,074,869
Liabilities			
Current Liabilities			
Trade and other payables	15	1,475,197	10,783,224
Short term interest accrued		127,901	48,065
Interest-bearing loans and borrowings	16	2,429,268	70,713
Government grant	17	442,500	219,432
Provisions		117,057	83,929
Other current financial liabilities	18	-	139,122
		4,591,923	11,344,485
Non-Current Liabilities			
Long term interest accrued	19	340,451	168,217
Interest-bearing loans and borrowings	22	97,266,305	16,043,532
Convertible notes	19	2,412,840	1,614,600
Government Grant	17	8,188,068	8,630,568
Other non-current financial liabilities	20	3,747,433	3,290,567
Rehabilitation and restoration provision	23	3,820,200	3,820,200
		115,775,297	33,567,684
Total Liabilities		120,367,220	44,912,169
Net Assets		15,280,212	19,162,700
Equity			
Share capital	24	39,955,299	35,493,073
Option reserves	24	1,786,628	2,730,184
Cash flow hedge reserve	20	(1,666,963)	(1,668,494)
Accumulated losses		(24,794,752)	(17,392,063)
Total Equity		15,280,212	19,162,700

* Certain amounts shown here do not correspond to the June 2017 financial statements and reflect adjustments made, refer to Note 1.

Genex Power Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
Balance at 1 July 2017	35,493,073	2,730,184	(1,668,494)	(17,392,063)	19,162,700
Loss after income tax	-	-	-	(7,461,082)	(7,461,082)
Cash flow hedge reserve	-	-	1,531	-	1,531
Total comprehensive loss for period	35,493,073	2,730,184	(1,666,963)	(24,853,145)	11,703,149
Shares issued during the period	3,224,750	-	-	-	3,224,750
Loyalty option converted	1,237,476	(1,237,476)	-	-	-
Loyalty options expired	-	(58,393)	-	58,393	-
Share-based payment expenses	-	352,313	-	-	352,313
Balance at 30 June 2018	39,955,299	1,786,628	(1,666,963)	(24,794,752)	15,280,212

Genex Power Limited
Consolidated statement of changes in equity (continued)
For the year ended 30 June 2017 (restated*)

Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
Balance at 1 July 2016	15,878,724	1,397,521	-	(10,454,012)	6,822,233
Loss after income tax	-	-	-	(6,938,051)	(6,938,051)
Cash flow hedge reserve	-	-	(1,668,494)	-	(1,668,494)
Total comprehensive loss for period	15,878,724	1,397,521	(1,668,494)	(17,392,063)	(1,784,312)
Shares issued during the period	20,624,743	-	-	-	20,624,743
Transaction cost	(1,010,394)	-	-	-	(1,010,394)
Share options issued during the period	-	1,332,663	-	-	1,332,663
Balance at 30 June 2017	35,493,073	2,730,184	(1,668,494)	(17,392,063)	19,162,700

* Certain amounts shown here do not correspond to the June 2017 financial statements and reflect adjustments made, refer to Note 1.

Genex Power Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

	Notes	30-Jun-18	30-Jun-17
		\$	\$
Cashflow from Operating Activities			
Receipt from customers		7,005,270	20,632
Payments to suppliers		(7,039,996)	(6,335,896)
Payments to employees		(2,185,755)	(2,016,322)
Interest received		249,518	359,097
Interest paid		(4,131,807)	(388,574)
Net cash utilised by operating activities	32	(6,102,770)	(8,361,063)
Cashflow from Investing Activities			
Purchase of Property, Plant and Equipment		(82,959,922)	(30,267,071)
Receipt of government grant		898,073	11,307,068
Funds invested into a term deposit/bank guarantee		(269,353)	-
Net cash used in investing activities		(82,331,202)	(18,960,003)
Cashflow from Financing Activities			
Proceeds from issue of shares		3,224,750	20,624,743
Proceeds from issue of convertible bonds		1,748,236	486,865
Transaction costs on issue of shares		-	(1,010,394)
Proceeds from borrowings		87,466,796	16,328,777
Repayment of borrowings		(4,100,000)	(2,200,000)
Net cash from financing activities		88,339,782	34,229,991
Net increase in cash and cash equivalents		(94,190)	6,908,925
Cash and Cash equivalent at the beginning of the financial year		11,088,539	4,179,614
Cash and Cash equivalents at the end of the financial year	9	10,994,349	11,088,539

Note 1. 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.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business, for a period of at least 12 months from the date that these financial statements are approved.

The directors note the following events and conditions which have been considered in assessing the appropriateness of the going concern assumption:

- The consolidated entity has a net current asset position of \$8.13m.
- The consolidated entity has a closing cash and cash equivalent balance of \$11m at balance date;
- The 50 MW Kidston Solar Project (KS1) has been operating since November 2017, is performing well and has resulted in revenue and cash flows in accordance with Company budgeted expectations. From 31 July 2018, the energy produced by KS1 will be sold under a long-term price guarantee arrangement (akin to what is known in the industry as a Power Purchase Agreement or PPA) (*refer ASX announcement of 8 September 2016*).

In assessing the appropriateness of using the going concern assumption, the Directors have had regard to the following matters:

- The consolidated entity has been in detailed discussions with a number of potential energy partners, with ongoing discussions based around securing the most financially viable option for the Company and its shareholders. The consolidated entity's timeline is to reach KS2's financial close in 2018 with construction to commence soon thereafter, with an estimated 22 month build for K2S and 36- 42 month build for K2H.
- The reasonableness of the profitability and cash flow forecasts of the consolidated entity, which have been prepared by management on the basis of completion of KS1 and the long-term price guarantee.
- The consolidated entity's cash and cash equivalents, unused banking facilities and the fact that, when excluding non-cash Government Grant liabilities, the consolidated entity is in a net current asset position.

Based on the above, the directors believe the consolidated entity will continue as a going concern and meet its debts and commitments as and when they fall due.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the consolidated entity presents an additional statement of financial position at the beginning of the preceding period

when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genex Power Limited ('Genex', 'Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Genex Power Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Current versus non-current classification

The consolidated entity presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The consolidated entity classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of electricity and environmental products

Revenue from the sale of *electricity and environmental products* is recognised when the significant risks and rewards of ownership of the products have passed to the buyer and the consolidated entity has the right to be compensated.

Interest

Interest income is recognised at a time proportion basis that takes into account the effective yield on the financial assets.

Fair value measurement

The consolidated entity measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the consolidated entity.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The consolidated entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the consolidated entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the consolidated entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Income tax

The income tax expense or benefit for the year is the tax payable on that year'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, unused tax losses and the adjustment recognised for prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Genex Power Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

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 an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised on fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventory

Recognition and measurement

Large-scale Generation Certificates (LGCs) held in inventory are valued at the lower of cost and net realisable value. Upon sale, the difference between the sale price and the book value of inventory is recorded as a component of revenue.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Consolidated entity as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the consolidated entity is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the consolidated entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Plant, Property and Equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the consolidated entity depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are

recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 2) and Rehabilitation and restoration provisions (Note 23) for further information about the recognised decommissioning provision.

Depreciation is calculated on a diminishing value or straight-line basis over the estimated useful lives of the assets, as follows:

Plant, machinery and equipment	20 to 30 years
Leasehold improvements	Less of 5 years or lease term

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Work in Progress Capital Assets

Work in Progress Capital Assets represent project development costs incurred prior to commencement of projects operation. Work in Progress Capital assets are not amortised, but are transferred to Plant, Property and Equipment and depreciated from the time the asset is held ready for use on a commercial basis.

Pre-development Asset

Pre-development Assets represent value of existing assets associated with acquisition of the Kidston Goldmine site. Pre-development assets are not amortised, but are transferred to Plant, Property and Equipment and depreciated from the time the asset is held ready for use on a commercial basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Provisions

General

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the consolidated entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised

as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation and restoration liability

The Company records the present value of the estimated cost of legal and constructive obligations to rehabilitate mining lease areas in the period in which the obligation is incurred. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. When the liability is initially recorded, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in the present value based on a discount rate. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The unwinding of the effect of discounting the provision is recorded as a finance charge in the profit or loss. The carrying amount capitalised as a part of mining assets is depreciated/ amortised over the life of the related asset.

Long service leave and annual leave

The consolidated entity does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The consolidated entity recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share based payment transactions

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for rendering of services. The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with the non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in the profit and loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining

vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Convertible notes

For the convertible notes with cash settlement at the option of the issuer, the whole convertible notes are treated as financial liability, which is subsequently valued at amortised cost using effective interest rate method. The conversion right is accounted for as a derivative at fair value, with changes in value included in profit or loss.

Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value, except where the instrument is classified "at fair value through profit and loss", which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The consolidated entity uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gain or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The consolidated entity uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as interest rate swaps for its exposure to interest rate risks for. The ineffective

portion relating to both the forward currency contracts and interest rate swaps are recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations

Accounting Standards and Interpretations issued but not yet effective

Reference	Title	Summary	Impact on the consolidated entity's Financial Report
AASB 9, and relevant amending standards	<i>Financial Instruments</i> Application date of standard: 1 January 2018 Application date for the consolidated entity: 1 July 2018	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is	The classification and measurement of all financial assets (Trade and other receivables) and financial liabilities are not expected to change on adoption of AASB 9. The consolidated entity is also continuing to assess the impact of the new expected credit loss impairment model on its trade and other receivables, however given the historic value of receivable write-offs it is not expected to be significantly different. The new hedge accounting requirements will not have any significant impact on the results. AASB139 will still be applied for the existing hedging relationship. Further information will be provided in future financial reports as management finalises its assessment.

		<p>attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	
AASB 15, and relevant amending standards	<p>Revenue from Contracts with Customers</p> <p>Application date of standard: 1 January 2018</p> <p>Application date for the consolidated entity: 1 July 2018</p>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> ➤ Step 1: Identify the contract(s) with a customer ➤ Step 2: Identify the performance obligations in the contract ➤ Step 3: Determine the transaction price ➤ Step 4: Allocate the transaction price to the performance obligations in the contract ➤ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. 	<p>Based on management's initial assessments, the adoption of AASB 15 is not expected to result in a material impact on the consolidated entity's financial statements.</p> <p>The consolidated entity's largest revenue stream in the future relates to electricity and LGCs sale. Performance obligations are generally satisfied over a short term, and fees charged are on a fixed price (generally on a per MWhs basis). Management considers there is insignificant uncertainty over the revenue and cash flows relating to electricity and LGC revenue.</p> <p>The consolidated entity is continuing to analyse the specific requirements of AASB 15 as applied to other less significant revenue arrangements.</p> <p>Further information will be provided in future financial reports as management finalises its assessment.</p>
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value'</p>	<p>The consolidated entity is continuing to evaluate the impact of adopting AASB 16, and expects to provide further information in future financial reports as management finalises its assessment.</p>

	<p>Application date of standard: 1 January 2019</p> <p>Application date for Group: 1 July 2019</p>	<p>assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117.</p> <p>Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	<p>Disclosures of the nature of the consolidated entity's existing operating leases, as well as the aggregate of the consolidated entity's operating lease commitments on a gross basis is provided in note 28. The consolidated entity currently has no finance leases. The consolidated entity will account KS1's Revenue Support Deed with the Queensland State Government (PPA) in accordance with <i>IFRIC 4 Determining Whether an Arrangement Contains a Lease</i> which means the consolidated entity will be in the lessor position for the PPA. Given the Lessor accounting is substantially unchanged from today's accounting under AASB 117, the adoption of the AASB 16 won't have significant impact on this regard. The consolidated entity is continuing to analyse the transition approaches under AASB 16, and expects to apply the modified retrospective approach. This requires the cumulative effect of initially applying AASB 16 recognised as an adjustment to equity at 1 July 2019. Comparatives are not restated.</p> <p>The consolidated entity plans to adopt the practical expedients and specific transition requirements. These include: relief from reassessing whether a contract contains a lease as defined in AASB 16; exemptions for low value and short-term leases; and specific options available under the modified retrospective transition approach.</p>
<p>AASB 2016-5</p>	<p>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</p> <p>Application date of standard: 1 January 2018</p> <p>Application date for consolidated entity: 1 July 2018</p>	<p>This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> ➤ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ➤ Share-based payment transactions with a net settlement feature for withholding tax obligations <ul style="list-style-type: none"> ➤ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 	<p>The adoption of the amendments will not have any material impact on the financial report.</p>

AASB Interpretation 23, and relevant amending standards	Uncertainty over Income Tax Treatments Application date of standard: 1 January 2019 Application date for consolidated entity: 1 July 2019	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 <i>Income Taxes</i> when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: <ul style="list-style-type: none"> ➤ Whether an entity considers uncertain tax treatments separately ➤ The assumptions an entity makes about the examination of tax treatments by taxation authorities ➤ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ➤ How an entity considers changes in facts and circumstances. 	The consolidated entity is currently evaluating the impact of the new accounting standard.
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Correction of prior periods' error

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Government Grants

In the current and prior year, management has recognised cash receipts from R&D tax credits as deferred revenue on the balance sheet. In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, cash grants received under the current ATO refundable R&D scheme should be recognised in the profit or loss if the related costs for which the government grant are intended to compensate are also recognised in profit or loss. As a consequence, revenue has been understated by \$2.46m in FY17 (understated by \$731k in FY16 and FY15) as the R&D scheme rebate does not relate to capitalised costs with respect to KS2 for which no costs have yet been capitalised.

Impact on equity (increase/(decrease) in equity)

	30 June 2017	1 July 2016
Government grant	3,187,668	730,600
Total liabilities	3,187,668	730,600
Net impact on equity	3,187,668	730,600

Impact on statement of profit or loss (increase/(decrease) in profit)

	30 June 2017
Other income	2,457,068
Net impact on profit for the year	2,457,068
Attributable to:	
Equity holders of the parent	2,457,068
Non-controlling interests	-

Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

	30 June 2017
Earnings per share	
Basic, profit for the year attributable to ordinary equity holders of the parent	0.0105
Diluted, profit for the year attributable to ordinary equity holders of the parent	0.0105

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next year are discussed below.

Fair value measurement of financial instruments

When the fair values of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the binomial tree lattice methodology. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk, expected volatility and expected dividend yield. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 21 for further disclosures.

Share-based payment transactions

The consolidated entity 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 using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity.

Rehabilitation and restoration provision

Management assesses its provision for environmental rehabilitation and restoration on an annual basis or when new information becomes available.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed on existing environmental and regulatory requirements.

Closure and rehabilitation provisions are also adjusted for changes in estimates. Factors influencing those changes include;

- Developments in technology;
- Regulatory requirements and environmental management strategies;
- Changes in the estimated extent and costs of anticipated activities; and
- Movements in factors affecting the discount rate applied.

KS1 Work in Progress Capital Assets transfer to Property Plant and Equipment (PPE)

Management assessed construction and operations of the KS1 assets and considered the KS1 asset operated in the manner intended by management by 31 December 2017. As such the Work in Progress Capital Assets was transferred to PPE on 1 January 2018, and the Group commenced depreciation of the KS1 assets and recognition of revenue in profit or loss from that date.

Note 3. Operating Segment

Management has determined that the consolidated entity has one reportable segment; the development of Kidston Renewable Energy hub projects in Australia. All directors, except for Mr Yongqing Yu (based in China), executive and operating management are based in Australia.

Note 4 Capital management

For the purpose of the consolidated entity's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the consolidated entity's capital management is to maximise the shareholder value.

The consolidated entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the consolidated entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The consolidated entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The consolidated entity's policy is to keep the gearing ratio under 90%. The consolidated entity includes within net debt, interest bearing loans and borrowings, convertible notes, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Interest-bearing loans and borrowings - current	2,429,268	70,713
Interest-bearing loans and borrowings – non-current	97,266,305	16,043,532
Convertible note	2,412,840	1,614,600
Short-term interest accrued	127,901	48,065
Long-term interest accrued	340,451	168,217
Trade and other payables	1,475,197	10,783,224
Less: cash and short -term deposits	(10,994,349)	(11,088,539)
Net debt	93,057,613	17,639,812
Equity	15,280,212	19,162,700
Total capital	15,280,212	19,162,700
Capital and net debt	108,337,825	36,802,512
Gearing ratio	86%	48%

In order to achieve this overall objective, the consolidated entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2018 and 2017.

Note 5. Revenue

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Electricity Sale	3,916,985	-
LGC Sale	4,356,085	-
Sales of electricity and environmental products	8,273,070	-
Government Grant	219,432	-
Convertible Note Cost reimbursed	500,000	-
R&D tax credit	898,074	2,457,068
Others	26,680	-
Fuel Tax Credit	22,387	20,632
Other income	1,666,573	2,477,700
Total revenue	9,939,643	2,477,700

The R&D tax credit relates to Research & Development rebate received for direct and indirect R&D costs expensed by the Company.

Note 6. Expenses

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,970,877	176,403
Research and development expenditure for Kidston Pumped Hydro Project	5,126,860	1,563,917
<i>Employee benefits</i>		
Defined contribution superannuation expense	191,532	171,609
Share-based payments expense	352,314	1,332,663
Wages and salaries	2,062,235	1,806,413
Payroll tax	78,713	70,336
Workers' Compensation	6,606	-
Fringe Benefit Tax	26,650	-
Employee entitlements	33,128	37,602
	2,751,178	3,418,623

Note 7: Finance income

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Interest revenue	249,518	359,097
	249,518	359,097

Note 8: Income tax expense

	Consolidated	
	2018	2017
	\$	\$
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(7,461,082)	(6,938,050)
Tax at the statutory tax rate of 27.5%	(2,051,798)	(1,907,964)
Permanent differences	195,757	-
Tax loss not recognised	1,856,041	1,907,964
Income tax expense	-	-

The accumulated tax losses that arose in Australia as at 30 June 2018 is \$7,625,201 (30 June 2017: \$5,769,160) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. On top of the above-mentioned tax losses, \$39,249,668 as of 30 June 2018 are transferred losses and can be utilised subject to the available fraction.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the consolidated entity in the near future.

Tax consolidation**(i) Members of the tax consolidated group and the tax sharing arrangement**

Genex Power Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005. Genex Power Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote. Genex Solar Holding Pty Limited (99.99% owned by Genex Power Limited) and Genex (Solar) Pty Limited formed a separate a tax consolidated group in 2017.

(ii) Tax effect accounting by members of the tax consolidated group*Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the consolidated entity is based on taxable income, which is an acceptable method of allocation under AASB Interpretation 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Note 9. Cash and cash equivalents

	30 June 2018	30 June 2017
	\$	\$
Cash at bank	10,994,349	11,088,539
Cash and cash equivalents	10,994,349	11,088,539

Note 10. Trade and other receivables

	30 June 2018	30 June 2017
	\$	\$
Trade debtors	861,524	-
GST receivable	-	997,586
Rental bond	-	26,829
Trade and other receivables	861,524	1,024,415

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
	\$	\$	\$	\$	\$	\$	\$
2018	861,524	861,524	-	-	-	-	-
2017	1,024,415	1,024,415	-	-	-	-	-

Note 11. Inventory

	Consolidated 30 June 2018	30 June 2017
	\$	\$
Environmental Certificates	692,417	-
	692,417	-

Environmental Certificates held at year-end are Large-scale Generation Certificates (LGCs) generated in June 2018.

Note 12. Prepayments

	30 June 2018	30 June 2017
	\$	\$
Insurance and Office Rent	85,073	233,351
Oaks Rush Rent	25,000	-
Blue House Deposit	20,000	-
Environmental Authority, ML Fees and Land Rent	39,260	39,297
	169,333	272,648

Note 13. Bank Guarantee - Non-Current

	30 June 2018	30 June 2017
	\$	\$
Ergon Bond (Removal and Security Defects)	231,818	231,818
Construction Camp Bond	82,500	82,500
K2 Wind Project Land Bond	12,000	-
Electricity Bond	18,270	-
Ergon Connection Bond	42,000	-
Office Bond	110,813	110,813
Bond	10,000	-
Sydney Office Deposit	18,470	-
Speedcast Bond	4,000	-
Site Accommodation Bond	117,000	-
Term Deposit/Bank Guarantee for Environmental Bond	3,851,925	3,804,312
	4,498,796	4,229,443

The environmental bond is held by the State of Queensland (the State) for security for compliance with the requirements of Mineral Resources Act 1989 and the Environmental Protection Act 1994. The environmental bond is held in the name of Kidston Gold Mines Limited, a wholly owned subsidiary of Genex and the 100% freehold owner of the Kidston site. The environmental bond will be released upon satisfactory restoration and rehabilitation of the mine site.

Note 14. Property, Plant and Equipment

	30 June 2018	30 June 2017
	\$	\$
Land	175,000	175,000
Work in Progress Capital assets	-	43,306,214
Kidston Solar Project	114,304,734	-
Pre-development assets	3,918,777	3,918,777
Leasehold Improvements	32,502	41,563
	118,431,013	47,441,554

Working in progress capital assets were for the KS1 assets which is now operating. All assets associated with the Kidston Solar Farm have been pledged as security to the senior lenders as part of the \$100.1 million senior debt facility.

	<i>Land</i>	<i>Work in Progress Capital assets</i>	<i>Kidston Solar Project</i>	<i>Pre-development Asset</i>	<i>Leasehold Improvements</i>	Total
Cost						
<i>At 30 June 2016</i>	175,000	430,474	-	3,918,777		4,524,251
Additions:	-	42,875,740	-	-	43,244	42,918,984
Disposals	-	-	-	-	-	-
<i>At 30 June 2017</i>	175,000	43,306,214	-	3,918,777	43,244	47,443,235
Additions:	-	74,006,796	-	-	-	74,006,796
Disposals	-	-	-	-	-	-
Transfer out	-	(117,313,010)	-	-	-	-
Transfer in	-	-	117,313,010	-	-	-
<i>At 30 June 2018</i>	175,000	-	117,313,010	3,918,777	43,244	121,450,031
Depreciation or impairment						
<i>At 30 June 2016</i>	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	(1,681)	(1,681)
<i>At 30 June 2017</i>	-	-	-	-	(1,681)	(1,681)
Depreciation charge for the year	-	-	(3,008,276)	-	(9,061)	(3,017,337)
<i>At 30 June 2018</i>	-	-	(3,008,276)	-	(10,732)	(3,019,018)
Net book value 30 June 2018	175,000	-	114,304,734	3,918,777	32,501	118,431,013
Net book value 30 June 2017	175,000	43,306,214	-	3,918,777	41,563	47,441,554

Capitalised borrowing costs

The Kidston solar project (Phase One 50MW) was completed in the current financial year. The carrying amount of the Kidston solar project at 30 June 2018 was \$114,304,734 (30 June 2017: \$43,306,214). The Kidston solar project is financed by a \$100.1 million senior debt facility with third party banks. Interest on the facility has been capitalised until the construction of the project is completed. The amount of interest costs capitalised during the year ended 30 June 2018 was \$1.4m (30 June 2017: \$2.9m).

Properties associated with the Kidston Solar Farm with a carrying amount of \$114,304,734 (2017: \$43,306,214) are subject to a first charge security to the Group's Senior Bank Loan.

Note 15. Trade and other payables

	30 June 2018	30 June 2017
	\$	\$
Current		
Trade creditors and accruals	1,415,177	10,694,271
PAYG withholdings	60,020	59,820
Superannuation payable	-	29,133
	1,475,197	10,783,224

The large change in Trade creditors and accruals is due to the completion of the Kidston Solar Project.

Note 16. Interest-bearing loans and borrowings

	30 June 2018	30 June 2017
	\$	\$
Senior Bank Debt	2,429,268	-
Hunter Premium facility	-	70,713
	<u>2,429,268</u>	<u>70,713</u>

The Senior Bank Debt represents the portion of the 100.1m Senior Bank Loan which must be repaid within 12 months.

Note 17. Government Grant

	30 June 2018	30 June 2017
	\$	\$
ARENA Grant (Current)	442,500	219,432
ARENA Grant (Non-Current)	8,188,068	8,630,568
	<u>8,630,568</u>	<u>8,850,000</u>

Genex received an ARENA grant of \$8.85 million in FY17 towards the funding of KS1. The Grant is recognised as revenue over the life of the project on a straight line basis.

Note 18. Cash flow hedge***Foreign currency risk***

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast purchases in USD or EUR under the Engineering, Procurement and Construction (EPC) contract. These forecast transactions are highly probable, and they comprise about 100% of the consolidated entity's total expected purchases in USD and EUR.

The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

	30 June 2018	30 June 2017
	\$	\$
Foreign currency forward contracts designated as hedging instruments		
Fair value	-	139,122

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss. All remaining tranches of the foreign currency forward contract was settled in the current year.

Interest rate risk

Interest rate swaps measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast drawdown under the senior bank loan agreement. These forecast transactions are highly probable.

The interest rate swaps balances vary with the level of expected drawn down and changes in the floating interest rates.

	30 June 2018	30 June 2017
	\$	\$
	Liabilities	Liabilities
Interest rate swaps designated as hedging instruments		
Fair value	1,666,963	1,529,372

The terms of the interest rate swaps match the drawn down schedule as defined in the senior bank loan agreement. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss. Notional amount is \$100.1m (2017: \$100.1m) whereby the consolidated entity receives a fixed rate of interest of 3.065% and pays interest at a variable rate equal to BBSW on the notional amount. The interest rate swaps are valued at \$1.67m out-of-money position as at 30 June 2018.

Note 19. ARENA Convertible Note

	30 June 2018	30 June 2017
	\$	\$
Long term interest accrued	340,452	168,217
Convertible note	2,412,840	1,614,600
	<u>2,753,292</u>	<u>1,782,817</u>

On 18 December 2015, Genex entered into a convertible note funding agreement with ARENA for up to \$4 million to fund the feasibility study of K2H. As at 30 June 2018, \$3,524,899 has been drawn down.

On 16 November 2017, Genex entered into a further convertible note funding agreement with ARENA for up to a further \$5 million to fund pre-financial close costs associated with the Kidston Stage Two Projects. The Convertible Note Agreement has the same terms as the one in December 2015 with the exception of the conversion price. As at 30 June 2018, \$346,056 has been drawn down.

The convertible note is deemed to be a financial instrument with 2 embedded derivatives, i.e. conversion right and early redemption option. Please refer Note 20 for further details.

Key terms of the convertible notes funding agreement:

- Unsecured unlisted convertible redeemable notes (the Notes), to be issued in tranches based on payments received by Genex from ARENA;
- Zero coupon;
- Payments to Genex to be made upon completion of agreed milestones;
- Notes are convertible at a conversion price into Genex ordinary shares;
 - \$0.20 per share (December 2015 Agreement); and
 - Higher of A\$0.2865 and 20day VWAP at Stage 2 financial close (November 2017 Agreement);
- If ARENA chooses to convert, Genex retains the right to either issue ordinary shares at the Conversion Price or to repay ARENA the face value of the Notes as if they had been converted, at the then 20 day volume weighted average price of Genex shares traded on the ASX;
- Genex has the right to redeem the Notes at face value at any time from the date of issue for a period of 5 years in respect of amounts drawn down but not converted (ARENA may convert during the redemption notice period);
- Genex must redeem the Notes at face value upon the completion of a bankable feasibility study in respect of the Project and the execution of all agreements required for the funding of the construction of the Project, i.e. once the project reaches financial close, the Note must be redeemed if not converted;
- ARENA has the right to require redemption of the Notes should certain default events occur;

- The Notes lapse and are not repayable by Genex after a period of 5 years if not previously redeemed or converted; and
- The Notes carry standard terms consistent with other standard convertible note arrangements in the market and require Genex to provide key feasibility progress study reports and findings to ARENA and other stakeholders.

December 2015 Agreement

Maturity dates of the convertible notes are as follows:

	Maturity date	Amount
1	4 March 2021	731,243
2	16 March 2021	537,928
3	1 April 2021	386,193
4	3 May 2021	207,902
5	23 May 2021	198,582
6	27 June 2021	74,006
7	22 August 2021	123,453
8	2 November 2021	186,782
9	21 December 2021	142,800
10	26 April 2022	33,830
11	23 October 2022	226,644
12	31 October 2022	139,596
13	6 December 2022	44,770
14	19 February 2023	52,603
15	19 February 2023	4,119
16	20 March 2023	5,000
17	20 March 2023	52,252
18	19 April 2023	121,276
19	16 May 2023	239,367
20	14 June 2023	16,553
		<hr/> 3,524,899 <hr/>

November 2017 Agreement

Maturity dates of the convertible notes are as follows:

	Maturity date	Amount
1	20 April 2023	26,503
2	24 May 2023	139,880
3	14 June 2023	179,673
		<hr/> 346,056 <hr/>

Note 20: Financial assets and financial liabilities**Financial assets**

	30 June 2018	30 June 2017
	\$	\$
Financial assets at amortised cost		
Trade and other receivables	861,524	1,024,415
Bank guarantee/Bonds	4,498,796	4,229,443
Total financial assets	5,360,320	5,253,858
Total current	861,524	1,024,415
Total non-current	4,498,796	4,229,443

Financial liabilities: interest-bearing loans and borrowings

	Weighted average interest rate %	Maturity	30 June 2018	30 June 2017
			\$	\$
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	N/A	N/A	1,475,197	10,783,224
<i>Interest-bearing – fixed rate</i>				
\$100,118,187 Senior Bank Loan	4.815%	29 February 2023 Monthly instalment with the last payment due on 31 Dec	99,695,573	16,043,532
Hunter premium facility	5.75%	2017	-	70,713
Total non-derivatives			101,170,770	26,897,469

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

There have been no amounts pledged as collateral.

Other financial liabilities

	30 June 2018	30 June 2017
	\$	\$
Derivatives not designated as hedging instruments		
Embedded derivatives	2,080,470	1,761,195
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	-	139,122
Interest rate swaps	1,666,963	1,529,372

Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings

Trade and other payables	1,475,197	10,783,224
Total financial liabilities	5,222,630	14,212,913
Total current	1,475,197	10,922,346
Total non-current	3,747,433	3,290,567

Derivatives designated as hedging instruments reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in USD and EUR. Derivatives designated as hedging instruments also include the change in fair value of interest rate swaps entered into during 2017.

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk and liquidity risk. This note presents information about the consolidated entity's exposure to each of the above risks, the consolidated entity's objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations. The consolidated entity's trade and other receivables consist of an amount receivable from the Australian tax authority. The consolidated entity's cash and cash equivalents consist of cash in bank accounts lodged with reputable banks in Australia. Accordingly, the consolidated entity views credit risk as minimal.

The maximum exposure to credit risk is as follows:

	30 June 2018	30 June 2017
	\$	\$
Cash and cash equivalents	10,994,349	11,088,539
Trade and other receivables	861,524	1,024,415
Bank guarantee	4,498,796	4,229,443
	<u>16,354,669</u>	<u>16,342,397</u>

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity aims to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the consolidated entity's holdings of cash and cash equivalents. The consolidated entity's cash and cash equivalents are invested in business accounts, which are available upon demand for the consolidated entity's requirements.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and debt facilities or by facilitating additional capital raising and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

Note 21 details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Senior Bank Debt			2,429,268	97,266,305		99,695,573
Convertible Notes				2,080,470		2,080,470
Interest		385,580	3,535,796	18,110,953	28,319,820	50,352,149
Interest Rate SWAP					1,666,963	1,666,963
Trade and other payables		1,475,197				1,475,197
		1,860,777	5,965,064	117,457,728	29,986,783	155,270,352

Year ended 30 June 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Senior Bank Debt				16,043,532		16,043,532
Convertible Notes				1,761,195		1,761,195
Interest			2,160,651	17,084,689	33,267,460	52,512,800
Foreign exchange forward contract			139,122			139,122
Interest Rate SWAP					1,529,372	1,529,372
Trade and other payables		10,783,224				10,783,224
Hunter Premium funding			70,713			70,713
		10,783,224	2,370,486	34,889,416	34,796,832	82,839,958

Note 21. Fair value measurement

The following table provides the fair value measurement hierarchy of the consolidated entity's assets and liabilities
Fair value measurement hierarchy for liabilities as at 30 June 2018:

	Date of valuation	Fair value measurement using			
		Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swaps	30 June 2018	1,666,963	-	1,666,963	-
Foreign exchange forward contracts	30 June 2018	-	-	-	-
Embedded derivatives	30 June 2018	2,080,470	-	2,080,470	-

Fair value measurement hierarchy for liabilities as at 30 June 2017:

Date of valuation	of	Total	Fair value measurement using		
			Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swaps	30 June 2017	1,529,372	-	1,529,372	-
Foreign exchange forward contracts	30 June 2017	139,122	-	139,122	-
Embedded derivatives	30 June 2017	1,761,195	-	1,761,195	-

The consolidated entity enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and the interest rate curves. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the consolidated entity's own non-performance risk. As at 30 June 2018, the marked-to-market value of derivative positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The conversion right and early redemption option embedded in the convertible notes are measured using binomial tree lattice methodology with the spot price of the consolidated entity's own share, expected volatility and expected dividend yield of the share, risk free interest rate and asset default threshold as the key inputs.

Note 22. Interest-bearing loans and borrowings (non-current)

	30 June 2018 \$	30 June 2017 \$
Senior bank debt	97,266,305	16,043,532
	97,266,305	16,043,532

Genex Power has a senior bank facility of \$100.1 million with Société Générale, Hong Kong Branch, DZ Bank AG and the Clean Energy Finance Corporation (CEFC). The proceeds from the facility are used to pay for the construction cost of the Phase 1 Kidston Solar Farm. As at 30 June 2018, the amount drawn down from the facility is \$99,695,573.

Key terms of the senior bank debt:

- Interest rate – base rate (BBSY) + 1.75%
- Tenor – Construction plus 5 years

Note 23. Rehabilitation and restoration provisions

	30 June 2018	30 June 2017
	\$	\$
Make good provision on office lease	15,889	15,889
Rehabilitation and provisions	3,804,311	3,804,311
	<u>3,820,200</u>	<u>3,820,200</u>

The rehabilitation and restoration provisions represent the deposit the consolidated entity contributed to the Department of Environment and Heritage Protection, QLD Government. This deposit will only be released when QLD Government relieve the consolidated entity of this obligation and the bank guarantee securing this bond is returned to the consolidated entity.

Note 24. Equity

	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Shares	Shares	\$	\$
Ordinary shares issued and fully paid	<u>303,931,514</u>	<u>287,807,764</u>	<u>39,955,299</u>	<u>35,493,073</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2016	<u>180,268,750</u>		<u>15,878,724</u>
Exercise of loyalty options	8 December 2016	50,000	\$0.20	10,000
Issue of shares (Placement)	15 December 2016	45,067,187	\$0.22	9,914,697
Share issue costs				(560,739)
Issue of shares (Share Purchase Plan)	23 January 2017	11,640,770	\$0.22	2,561,077
Issue of shares (Placement)	9 February 2017	31,250,000	\$0.16	5,000,000
Share issue costs				(449,655)
Exercise of options	9 February 2017	250,000	\$0.20	50,000
Issue of shares (Rights Issue)	1 March 2017	19,181,057	\$0.16	3,068,969
Exercise of options	6 March 2017	50,000	\$0.20	10,000
Exercise of options	26 April 2017	50,000	\$0.20	10,000
Movement for the year		<u>107,539,014</u>		<u>19,614,349</u>
Balance	30 June 2017	<u>287,807,764</u>		<u>35,493,073</u>

Details	Date	No of shares	Issue price	\$
Balance	30 June 2017	287,807,764		35,493,073
Exercise of loyalty options	21 July 2017	66,250	\$0.20	13,250
Exercise of loyalty options	23 August 2017	105,000	\$0.20	21,000
Exercise of loyalty options	6 October 2017	75,000	\$0.20	15,000
Exercise of loyalty options	1 November 2017	1,037,500	\$0.20	207,500
Exercise of loyalty options	17 November 2017	255,200	\$0.20	51,040
Exercise of loyalty options	6 December 2017	61,250	\$0.20	12,250
Exercise of loyalty options	21 December 2017	60,000	\$0.20	12,000
Exercise of loyalty options	12 January 2018	303,100	\$0.20	60,620
Exercise of loyalty options	29 January 2018	127,350	\$0.20	25,470
Exercise of loyalty options	5 February 2018	690,700	\$0.20	138,140
Exercise of loyalty options	9 February 2018	690,000	\$0.20	138,000
Exercise of loyalty options	19 February 2018	487,500	\$0.20	97,500
Exercise of loyalty options	23 February 2018	1,182,500	\$0.20	236,500
Exercise of loyalty options	1 March 2018	10,932,400	\$0.20	2,186,480
Exercise of loyalty options	9 March 2018	50,000	\$0.20	10,000
Share issue costs reversed	-	-	-	1,237,476
Movement for the year	-	16,123,750		4,462,226
Balance	30 June 2018	303,931,514		39,955,299

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. The shares have no par value.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Share Option Reserve

Refer to Note 25 for further details.

	Share-based payments
	\$
At 1 July 2016	1,397,521
Share-based payments expense during the year	<u>1,332,663</u>
At 30 June 2017	<u>2,730,184</u>
Share-based payments expense during the year	352,313
Loyalty Options Converted	<u>(1,237,476)</u>
Loyalty Options Expired	<u>(58,393)</u>
As 30 June 2018	<u><u>1,786,628</u></u>

Nature and purpose of reserves

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration. Refer following for further details of these plans.

All other reserves are as stated in the consolidated statement of changes in equity.

During the year:

- the board of directors authorised the issue of 1,500,000 share options in the consolidated entity to Justin Clyne (Company Secretary)
- the board of directors authorised the issue of 4,850,000 share options in the consolidated entity to the Senior Management team

Options at the start of the period (01/07/2017)	46,800,000
Granted during the year	6,350,000
Forfeited during the year	-
Exercised during the year (Loyalty Options)	(16,123,750)
Expired during the year	(776,250)
Outstanding at the end of the year	36,250,000
Vested and exercisable at the end of the year (30/06/2018)	<u>24,966,667</u>

Options at the start of the period (01/07/2016)	30,800,000
Granted during the year	16,400,000
Forfeited during the year	-
Exercised during the year (Loyalty Options)	400,000
Expired during the year	-
Outstanding at the end of the year	46,800,000
Vested and exercisable at the end of the year (30/06/2017)	<u>41,866,667</u>

These share options are the only outstanding share options of the consolidated entity. The terms attached to the options are outlined below:

Share options

Number	3,000,000
Subscription price per option	\$0.00001
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.25
Vesting condition	Vesting on issue date
Issue date	7 February 2014
Expiry date	7 February 2019
Option exercise period	At any time from date of issue to date of expiry
Other conditions	None

Number	5,500,000
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.25
Vesting condition	Vesting on issue date
Issue date	13 October 2014
Expiry date	7 February 2019
Option exercise period	At any time from date of issue to date of expiry
Other conditions	None

Chief Operating Officer Options

Number	5,000,000
Value per option	\$0.0714
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.25
Vesting condition	The options will vest in 3 separate tranches upon the achievement of the following 3 milestones: <ul style="list-style-type: none"> • Financial close of the Kidston Solar Phase One 50MW project; • Financial close of the Kidston Pumped Storage Hydro project; • Successful completion of a feasibility study for another project. If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2018, 1,666,667 options have been vested.
Issue date	6 August 2015
Expiry date	6 August 2020
Option exercise period	At any time from date of vesting
Other conditions	None

Executive General Manager Options

Number	2,400,000
Value per option	\$0.0602
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.25
Vesting condition	The options will vest in 3 separate tranches upon the achievement of the following 3 milestones: <ul style="list-style-type: none"> • Financial close of the Kidston Solar Phase One 50MW project; • Financial close of the Kidston Pumped Storage Hydro project; • Successful completion of a feasibility study for another project. If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2018, 800,000 options have been vested.
Issue date	2 September 2016
Expiry date	2 September 2021
Option exercise period	At any time from date of vesting
Other conditions	None

On 2 September 2016, 2,400,000 options were issued to Mr. James Harding (Executive General Manager). The options have an exercise price of \$0.25, expire on the 2 September 2021 and are subject to various vesting conditions.

The value of the Executive General Manager Options granted during the year ended 30 June 2017 was calculated to be \$0.0602 using Black Scholes Model. The volatility of options used in the Black Scholes valuation are based on share price volatility of other project development companies listed on the ASX with similar valuations and risk profiles. Features incorporated into the measurement of fair value of the options include:

Underlying share price	\$0.15832
Exercise price	\$0.25
Expected volatility	57.16%
Option life	5 years
Expected dividends	Nil
Risk free interest rate	1.68%

Director Options

Number	14,000,000
Value per option	\$0.0851
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.34
Vesting condition	Vesting on issue date
Issue date	17 January 2017
Expiry date	17 January 2022
Option exercise period	At any time from date of issue to date of expiry
Other conditions	None

On 17 January 2017, 14,000,000 options were issued to the executive directors and the chairman of the Company. The options have an exercise price of \$0.34, expire on the 17 January 2022. The options are vested on issue.

The value of the Director Options granted during the year ended 30 June 2017 was calculated to be \$0.0851 using Black Scholes Model. The volatility of options used in the Black Scholes valuation are based on share price volatility of other project development companies listed on the ASX with similar valuations and risk profiles. Features incorporated into the measurement of fair value of the options include:

Underlying share price	\$0.21768
Exercise price	\$0.34
Expected volatility	57.16%
Option life	5 years
Expected dividends	Nil
Risk free interest rate	2.30%

Company Secretary Options

Number	1,500,000
Value per option	\$0.1002
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.34
Vesting condition	The options will vest on 1 January 2019 if Justin Clyne remains as the Company Secretary of Genex until 1 January 2019. As at 30 June 2018, none of the options have vested.
Issue date	7 July 2017
Expiry date	17 January 2022
Option exercise period	At any time from date of vesting
Other conditions	None

Management Options

Number	4,850,000
Value per option	\$0.1296
Subscription price per option	\$Nil
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	\$0.40
Vesting condition	The options will vest in 2 separate tranches upon the achievement of the following 2 milestones: <ul style="list-style-type: none"> • Financial close of the Kidston Stage 2 Projects • Successful completion of a bankable feasibility study for another project of not less than 30MW. If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2018, none of the options have vested.
Issue date	23 February 2018
Expiry date	13 February 2023
Option exercise period	At any time from date of vesting
Other conditions	None

On 7 July 2017, 1,500,000 options were issued to the Company Secretary of Genex. The options have an exercise price of \$0.34 and expire on 17 January 2022. The options will be vested on 1 January 2019.

The value of the Company Secretary's options granted during the year ended 30 June 2018 was calculated to be \$0.1002 using Binomial Option Pricing Tree. The volatility of options used in the Black Scholes valuation are based on share price volatility of other project development companies listed on the ASX with similar valuations and risk profiles. Features incorporated into the measurement of fair value of the options include:

Underlying share price	\$0.24
Exercise price	\$0.34
Expected volatility	60.6%
Option life	4.5 years
Expected dividends	Nil
Risk free interest rate	0%

On 23 February 2018, 4,850,000 options were issued to the Senior Management Team. The options have an exercise price of \$0.40, expire on 13 February 2023 and are subject to various vesting conditions.

The value of the Senior Management Options granted during the year ended 30 June 2018 was calculated to be \$0.1296 using Black Scholes Model. The volatility of options used in the Black Scholes valuation are based on share price volatility of other project development companies listed on the ASX with similar valuations and risk profiles. Features incorporated into the measurement of fair value of the options include:

Underlying share price	\$0.29
Exercise price	\$0.40
Expected volatility	60%
Option life	5 years
Expected dividends	Nil
Risk free interest rate	0%

Note 25. Share-based payments

The expense recognised for employee services received during the year is shown in the following table:

	30 June 2018	30 June 2017
	\$	\$
Expense arising from equity-settled share-based payment transactions	352,313	1,332,663
Total expense arising from share-based payment transactions	352,313	1,332,663

There were no cancellations or modifications to the share-based payment awards in FY18 or FY17.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2018	2018	2017	2017
	Number	WAEP	Number	WAEP
Outstanding at 1 July	29,900,000	0.29	13,500,000	0.25
Granted during the year	6,350,000	0.39	16,400,000	0.33
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	36,250,000	0.31	29,900,000	0.29
Exercisable at 30 June	24,966,667	0.30	24,966,667	0.30

On 6 August 2015, the board of directors authorised the issue of 5,000,000 share options in the consolidated entity to Arran McGhie (Chief Operating Officer), \$21,344 has been recognised as expenses in FY18 for this grant.

On 2 September 2016, the board of directors authorised the issue of 2,400,000 share options in the consolidated entity to James Harding (former Executive General Manager and current CEO), \$11,938 has been recognised as expenses in FY18 for this grant.

On 1 July 2017, the board of directors authorised the issue of 1,500,000 share options in the consolidated entity to Justin Clyne (Company Secretary), \$99,186 has been recognised as expenses in FY18 for this grant.

On 23 February 2018, the board of directors authorised the issue of 4,850,000 share options in the consolidated entity to the senior management team, \$64,901 has been recognised as expenses in FY18 for this grant.

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 June 2018	30 June 2017
	\$	\$
Short-term employee benefits	1,792,154	1,764,308
Post-employment benefits	165,935	167,609
Long-term benefits	-	-
Share-based payments	256,338	1,332,663
	<u>2,214,427</u>	<u>3,264,580</u>

Short-term employee benefits include salaries, bonuses and other short-term remuneration payments. Post-employment benefits include superannuation payments made by Genex. Share-based payments refers to employee options paid to key personnel.

Note 27. Auditors' remuneration

During the year the following fees were paid for services provided by Ernst & Young, the auditor of Genex Power Limited

	30 June 2018	30 June 2017
	\$	\$
Audit of the financial statements	135,000	100,000
Non-audit service: advisory service on related energy market studies (Ernst & Young)	58,000	94,000
Tax services	28,400	24,800
	<u>221,400</u>	<u>218,800</u>

Note 28. Commitments and contingencies**Operating lease commitments – the consolidated entity as lessee**

The consolidated entity has entered into operating lease on the office at O'Connell Street where its head office resides. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are, as follows:

	30 June 2018	30 June 2017
	\$	\$
Within one year	185,021	176,369
After one year but not more than five years	176,444	390,620
More than five years	-	-
	<u>361,465</u>	<u>566,989</u>

Capital commitments

At 30 June 2018, the consolidated entity had capital commitments of \$2,884,047 (2017: \$74,696,295) relating to the completion of the Kidston Solar Project.

Note 29. Related party transactions**Controlled entities**

A list of controlled entities is provided in Note 31 to these financial statements.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the parent entity and its controlled entities, directly or indirectly, including and director (whether executive or otherwise) of the entity, is considered key management personnel. Disclosures relating to key management personnel remuneration are set out in the Remuneration Report and Note 27 to these financial statements.

On 7 May 2018, the Company entered into a Services Consultancy Contract with Michael Addison on an arm's length basis to provide consulting services as a strategic adviser consulting on project delivery and the Company's project pipeline in addition to his role as a Non-Executive Director. The Contract provides for an hourly rate of \$250 plus GST and a monthly cap of \$20,900 plus GST. There is no fixed term and either party may terminate the Contract on 4 months' notice or payment in lieu.

Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless the terms and conditions disclosed below state otherwise. There are no related party transactions other than the issue of share options to the directors and key management personnel as outlined in Note 26 above.

Note 30. Information relating to Genex Power Limited (the Parent)

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	30 June 2018 \$	30 June 2017 \$
Loss after income tax	4,666,372	15,156,913
Total comprehensive loss	<u>4,666,372</u>	<u>15,156,913</u>

Statement of financial position

	30 June 2018 \$	30 June 2017 \$
Total current assets	2,529,160	1,916,828
Total assets	<u>37,401,326</u>	<u>25,588,173</u>
Total current liabilities	1,215,952	4,407,551
Total liabilities	<u>9,869,915</u>	<u>7,967,453</u>
Equity		
Issued capital	38,717,823	35,493,073
Equity Reserve		
Option reserves	1,786,628	2,730,184
Accumulated losses	<u>(12,973,040)</u>	<u>(20,602,535)</u>
Total equity	<u>27,531,411</u>	<u>17,620,722</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Parent

Name	Principal place of business / Country of incorporation
Genex Power Limited	Australia

Subsidiaries

Name	Principal place of business / Country of incorporation	30 June 2018 %	30 June 2017 %
Genex (Kidston) Pty Limited	Australia	100.00%	100.00%
Kidston Gold Mines Limited	Australia	100.00%	100.00%
Genex (Solar) Pty Limited	Australia	99.99%	99.99%
Genex Solar Holding Co Pty Limited	Australia	99.99%	99.99%
Kidston Solar Holding Co Pty Limited	Australia	99.99%	99.99%
Kidston Solar Co Pty Limited	Australia	99.99%	99.99%
Kidston Solar Finance Co Pty Limited	Australia	99.99%	99.99%

*These companies are 99.99% owned by Genex (Kidston) Pty Limited, the remaining 0.01% is held by Michael Addison.

Note 32. Reconciliation of profit after income tax to net cash from operating activities

Loss before tax	(7,461,082)	(6,938,050)
Adjustments to reconcile profit before tax to net cash flows:		
Convertible notes cost reimbursed	(500,000)	
Depreciation and impairment of property, plant and equipment	3,017,338	71,520
Share-based payment expense	352,314	1,332,663
Movements in provisions, pensions	33,128	36,561
Net loss on financial instruments at fair value through profit or loss	130,721	600,168
Finance income	(249,518)	(359,097)
Finance costs	2,970,877	176,403
Working capital adjustments:		
Decrease/(Increase) in trade and other receivables inventories and prepayments	(407,941)	(3,343,589)
Increase/(Decrease) in trade and other payables	(106,317)	91,835
	<u>(2,220,480)</u>	<u>(8,331,586)</u>
Interest received	249,518	359,097
Interest paid	(4,131,808)	(388,574)
	<u>(6,102,770)</u>	<u>(8,361,063)</u>

Note 33. Events after the reporting year

Since 30 June 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 34. Earnings per share

	30 June 2018	30 June 2017
Net loss for the year	\$7,461,082	\$6,938,050
Weighted average number of ordinary shares used in calculating basic earnings per share	293,927,385	233,105,428
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	293,927,385	233,105,428

	Cents	Cents
Basic earnings per share	(2.54)	(2.98)
Diluted earnings per share	(2.54)	(2.98)

* *The weighted average number of shares takes into account the weighted average effect of right issue during the prior year.*

\$2,412,840 ARENA convertible notes and 24,966,667 share options have not been taken into account of the diluted earnings per share calculation since they're anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

6. DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Genex Power Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of Genex Power Limited for the financial year ended 30 June 2018 are 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 2018 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the managing director and the finance director in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the board



Dr. Ralph Craven

(Non-Executive Chairman)

23 August 2018



Teresa Dyson

Non-Executive Director (Chair - Audit & Risk Committee)

23 August 2018

Independent Auditor's Report to the Members of Genex Power Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Genex Power Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Revenue recognition

Refer to Note 5 - Sale of electricity and environmental products

Why significant

Revenues are derived from the sale of electricity generated from the Group's 50 MW Kidston Solar Project (KS1) and the sale of environmental products (large-scale generation certificates (LGCs)).

The accuracy of the recorded electricity revenue within the Group and its presentation on the Consolidated Statement of Profit or Loss and Other Comprehensive Income is dependent on the volume supplied, including an estimate of the value of electricity supplied between the date of that has not been invoiced and the year end.

This matter was considered to be a Key Audit Matter due to the level of judgement required to determine when the KS1 is ready for its intended use, which is point from which sales of electricity can recognised as revenue and due to estimates required to determine the value of unbilled revenue at year-end.

The Group's disclosures are included in Note 5 of the consolidated financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We assessed whether revenue recognised met the requirements of Australian Accounting Standards.
- ▶ We selected a sample of revenue transactions and agreed the revenue recognised to invoices issued by Australian Energy Market Operator (AEMO) and cash received.
- ▶ We tested the accuracy of unbilled revenue by assessing the appropriateness of the estimated balance compared to the AEMO invoices issued after year-end and cash receipts.
- ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

2. Carrying value of KS1 Assets

Refer to Note 15 Property, Plant and Equipment

Why significant

The recognition and recoverability of the Group's KS1 assets was considered a Key Audit Matter due to the value of the asset relative to total assets, and the significant judgements and assumptions involved in the Group's assessment of whether any indicators of impairment were present, as required by Australian Accounting Standards.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We selected a sample of construction costs capitalised to the KS1 assets and agreed these to project contracts, supporting supplier invoices and cash payments and assessed whether the costs were appropriately capitalised in accordance with Australian Accounting Standards.
- ▶ We assessed whether the methodology used by the Group to identify indicators of impairment met the requirements of Australian Accounting Standards.
- ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

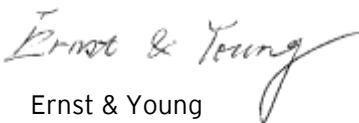
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Genex Power Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



Ernst & Young



Lynn Morrison
Partner
Sydney
23 August 2018

8. CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (CGS) is provided by the Directors of Genex Power Limited A.C.N. 152 098 854 (GNX or the Company) pursuant to ASX Listing Rule 4.10.3 and reports against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' 3rd Edition (the Recommendations) including the 8 principles and 29 specific recommendations included therein. This is the fourth time the Company has reported against the 3rd Edition of the Recommendations. This CGS was approved by a resolution of the Board of the Company dated 23 August 2018 and is effective as at the same date and is in addition to and supplements the Company's Appendix 4G which is lodged with the ASX together with this Annual Report to Shareholders.

	Principle 1 Recommendations:	Lay Solid Foundations for Management and Oversight
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>(a) The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities and functions of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director (MD) or equivalent which is currently the Chief Executive Officer (CEO). The Board Charter also specifically outlines the role of the Board, the Company's Chairman, Individual Directors and the MD/CEO. Each function and its responsibility are outlined in the Board Charter and in various sections of this this Corporate Governance Statement, both of which are available on the Company's website. The role and responsibility of the Board, the Company's Chairman, Individual Directors and the MD/CEO is outlined in the following paragraphs of the Company's Board Charter:</p> <ul style="list-style-type: none"> • The Board – Paragraph 3.1; • The Chairman – Paragraph 8.1; • The Individual Directors – Paragraph 8.2; and • The MD/CEO – Paragraph 8.3. <p>(b) The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include those matters particularised in paragraph 3.1 of the Company's Board Charter. The MD/CEO is separately responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board as outlined in paragraph 8.3.</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a</p>	<p>(a) Prior to the nomination of prospective non-executive directors for election or re-election, the Board must obtain from the prospective candidate:</p> <ul style="list-style-type: none"> • details of other commitments of the prospective candidate and an indication of the time involved; and

	<p>decision on whether or not to elect or re-elect a director.</p>	<ul style="list-style-type: none"> an acknowledgement that the prospective candidate will have sufficient time to meet the requirements of non-executive directors of the Company. <p>All of the Company's current directors, including Teresa Dyson who was appointed 7 May 2018 have undergone bankruptcy and police checks and appropriate checks will also be undertaken prior to the appointment of any new directors to the Board.</p> <p>(b) When a candidate is placed before shareholders for election or re-election as a director, the names of candidates submitted is accompanied by the following information to enable shareholders to make an informed decision in relation to that vote:</p> <ul style="list-style-type: none"> biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate; details of relationships between the candidate and the Company, and the candidate and directors of the company; directorships held; particulars of other positions which involve significant time commitments; the term of office currently served by any director subject to re-election; and any other particulars required by law.
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The Company has an Executive Services Agreement in place with each of its executive directors, its Chief Operations Officer, CEO and a Letter of Appointment with each of its non-executive directors.</p>
1.4	<p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Secretary is accountable to the Board through the Chairman on all governance matters and on all matters to do with the proper functioning of the Board. The Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board. The Secretary holds primary responsibility for ensuring that the Board processes, procedures and policies run efficiently and effectively and the Secretary's role of responsibilities is outlined in paragraph 8.4 of the Board Charter.</p>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender</p>	<p>(a) The Company has established a Diversity Policy as part of its Corporate Governance Plan. The Policy details the Board's commitment to providing an inclusive workplace and recognises the value that a workforce made up of individuals with diverse skills, values, backgrounds and experiences can bring to the Company. The Company has a commitment to gender diversity and female participation will be sought in all areas at the appropriate time. Decisions relating to promotion, leadership development and flexible work</p>

	<p>diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>arrangements will be based on merit and reinforce the importance of equality in the workplace. Ongoing monitoring of company policies and culture will be undertaken to make sure they do not hold any group back in their professional development.</p> <p>(b) A copy of the Company's Diversity Policy is available on the Company's website and a summary is included in this Corporate Governance Statement.</p> <p>(c) The Company will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so. The Board will, at least once per year, review the policy to determine its adequacy for current circumstances and make recommendations to the Board for amendment where required. The Company's Corporate Governance Statement each year will contain an update on the Company's compliance with the ASX's recommendations and the Company's Diversity Policy which is contained in (i) below.</p> <p>(i) The Company currently only has 7 employees which includes 1 female. The Company does not have any women in Senior Executive positions at present but this will be reviewed in accordance with each review of the Board's skills and requirements in accordance with the Company's Diversity Policy. The Company has 1 female director.</p> <p>(ii) The entity is not a "relevant employer".</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>(a) The Chairman is responsible for the:</p> <ul style="list-style-type: none"> • evaluation and review of the performance of the Board and its committees (other than the Chairman); and • evaluation and review of the performance of individual directors (other than the Chairman); <p>The Chairman should disclose the process for evaluating the performance of the Board, its Committees and individual directors.</p> <p>The Board (other than the Chairman) is responsible for the:</p> <ul style="list-style-type: none"> • evaluation and review of the performance of the Chairman; and • review of the effectiveness and programme of Board meetings. <p>The process for the performance evaluation of the Board, its Committees and Directors generally involves an internal review. From time to time as the Company's needs and circumstances require, the Board may</p>

		<p>commission an external review of the Board, and its composition.</p> <p>(b) A formal review of the Board was carried out in April 2018 leading to a restructure of the Board with the former Managing Director, Michael Addison, moving to a Non-Executive Director role, the appointment of Teresa Dyson as a Non-Executive Director and the appointment of James Harding to the role of CEO (previously Executive General Manager).</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>(a) The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board Charter sets out the process to be followed in evaluating the performance of senior executives. Each senior executive is required to participate in a formal review process which assesses individual performance against predetermined objectives.</p> <p>(b) An evaluation of the performance of the Company's senior executives occurred in April 2018 in accordance with the Company's processes.</p>
	Principle 2 Recommendations:	Structure the Board to Add Value
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>(a) The Board, as a whole, currently serves as the Company's Nomination Committee. Terms and conditions of employees are negotiated by the CEO in consultation with the Chief Operations Officer for recommendation to the Board. As the Company grows in size it is planned that the Company will implement a separate Nomination Committee with its own separate Nomination Committee charter.</p> <p>(b) While the Board does not currently comply with this recommendation, given the early stage of the Company's operations, the Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity of the business at this time.</p> <p>The Board shall ensure that, collectively, it has the appropriate range of skills and expertise to properly fulfil its responsibilities, including:</p> <ul style="list-style-type: none"> • accounting; • finance; • business; • the Company's industry; • Managing Director/CEO-level experience; and • relevant technical expertise. <p>The Board shall review the range of expertise of its members on a regular basis and ensure that it has</p>

		operational and technical expertise relevant to the operation of the Company.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>The Board will determine the procedure for the selection and appointment of new Directors and the re-election of incumbents in accordance with the Company's Constitution, the ASX Listing Rules and having regard to the ability of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.</p> <p>The Board shall ensure that, collectively, it has the appropriate range of skills and expertise to properly fulfil its responsibilities, including:</p> <ul style="list-style-type: none"> • accounting; • finance; • business; • the Company's industry; • Managing Director-level experience; and • relevant technical expertise. <p>The mix of skills of the current Board is set out on the Company's website.</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>(a) Currently only 3 of the 7 directors are considered to be independent given that Michael Addison was formerly the Managing Director, Simon Kidston is an Executive Director, Ben Guo is the Finance Director and Yongqing Yu is the representative of the Company's largest shareholder. The independent directors are Dr Ralph Craven, the Company's Non-Executive Chairman, Mr Alan du Mee and Ms Teresa Dyson, both Non-Executive Directors</p> <p>(b) Not applicable.</p> <p>(c) The Directors were appointed to the Board as follows: Dr Ralph Craven – 29 May 2015 Mr Michael Addison – 15 July 2011 Mr Simon Kidston - 1 August 2013 Mr Ben Guo – 25 October 2013 Mr Alan du Mee – 29 May 2015 Mr Yongqing Yu – 8 February 2016 Ms Teresa Dyson – 7 May 2018</p>
2.4	A majority of the board of a listed entity should be independent directors.	The Company does not currently have a majority of independent directors however the Board is of the view that notwithstanding that it does not currently comply with this recommendation it nonetheless has the appropriate mix of skills and experience for the Company's present stage of operations. The Company does however have a majority of Non-Executive directors comprising 5 of the 7 directors.

2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Company's current Chairman is Dr Ralph Craven who is an independent director and is not engaged in any executive role within the Company either as CEO, Managing Director or equivalent.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Pursuant to the Company's Board Charter the Board must implement an appropriate induction and education process for new Board appointees and Senior Executives to enable them to gain a better understanding of: <ul style="list-style-type: none"> • the Company's financial, strategic, operational and risk management position; • the rights, duties and responsibilities of the directors; • the roles and responsibilities of Senior Executives; and • the role of Board committees.
Principle 3 Recommendations:		Act Ethically and Responsibly
3.1	A listed entity should: <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	(a) The Company's Corporate Governance Plan includes the following policies and charters which provide a framework for decisions and actions in relation to ethical conduct in employment. <ul style="list-style-type: none"> • Board Charter; • Audit & Risk Management Committee Charter; • Code of Conduct - Obligations to Stakeholders; • Code of Conduct - Directors and Key Officers; • Continuous Disclosure; • Remuneration Committee Charter; • Securities Trading; and • Diversity. <p>(b) A copy of each policy including the codes of conduct relating to Directors, Senior Executives and employees is available on the Company's website.</p>
Principle 4 Recommendations:		Safeguard Integrity in Corporate Reporting
4.1	The board of a listed entity should: <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that</p>	(a) The Company has established an Audit and Risk Management Committee which: <ol style="list-style-type: none"> (1) has 4 members being Ms Teresa Dyson, Mr Alan du Mee, Dr Ralph Craven and Mr Michael Addison. All of the committee members are non-executive directors and a majority of the committee being Ms Teresa Dyson, Mr Alan du Mee and Dr Ralph Craven are independent. (2) is chaired by an independent director being Ms Teresa Dyson who is not the chairman of the board. (3) A copy of the policy titled "<i>Charter of the Audit and Risk Management Committee of Genex Power Limited</i>" is available on the Company's website. (4) The relevant qualifications and experience of the Committee members is available on the Company's website.

	independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	(5) The Committee met 3 times in the financial year with all members present at the meeting. (b) Not applicable.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board ensures that it receives the appropriate declarations and assurances including a declaration from the Chief Financial Officer that the Company's accounts have been kept in accordance with section 295A of the <i>Corporations Act 2001</i> and received such declarations in the financial year.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company ensures that the Auditor attends the AGM each year and is available to answer any question from shareholders either at the AGM or submitted in writing prior to the AGM.
Principle 5 Recommendations:		Make Timely and Balanced Disclosure
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	(a) The Company has a continuous disclosure program/policy in place designed to ensure compliance with the ASX Listing Rules on continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position. (b) The continuous disclosure policy of the Company is available on the Company's website.
Principle 6 Recommendations:		Respect the Rights of Security Holders
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company's Corporate Governance Plan includes a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. This is contained within the Company's policies titled " <i>Code of Conduct – Obligations to Stakeholders</i> " and " <i>Corporate Governance Policy – Continuous Disclosure</i> ". The policies are available on the Company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company's Corporate Governance Plan includes a shareholder communications strategy which is outlined in 6.1.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company's Corporate Governance Plan includes a shareholder communications strategy which is outlined in 6.1. The Company also encourages shareholders to attend the Company's AGM and to ask questions of the Board and the Auditor and/or to submit questions in writing in advance.
6.4	A listed entity should give security holders the option to receive communications from, and send	Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website and may electronically lodge proxy

	communications to, the entity and its security registry electronically.	instructions for items to be considered at the Company's AGM and any relevant EGM.
	Principle 7 Recommendations:	Recognise and Manage Risk
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>(a) The Board in conjunction with the Audit and Risk Management Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.</p> <ol style="list-style-type: none"> (1) has 4 members being Ms Teresa Dyson, Mr Alan du Mee, Dr Ralph Craven and Mr Michael Addison. All of the committee members are non-executive and a majority of the committee being Ms Teresa Dyson, Mr Alan du Mee and Dr Ralph Craven are independent. (2) is chaired by an independent director being Ms Teresa Dyson who is not the Chairman of the Board. (3) A copy of the policy titled "<i>Charter of the Audit and Risk Management Committee of Genex Power Limited</i>" is available on the Company's website. (4) The members of the committee are Ms Teresa Dyson (Chair), Mr Alan du Mee (Member), Dr Ralph Craven (Member) and Mr Michael Addison (member). (5) The Committee met 3 times during the reporting period with all members as constituted at the time in attendance. <p>(b) Not applicable.</p>
7.2	<p>The board or a committee of the board should:</p> <ol style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	<p>(a) The Company has established policies for the oversight and management of material business risks. The Audit and Risk Management Charter of the Company is available on the Company's website. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Board in conjunction with the Audit and Risk Committee. The Board and Audit and Risk Management Committee are required to assess risk management and associated internal compliance and control procedures and will be responsible for ensuring the process for managing risks is integrated within business planning and management activities. Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee at the first Board meeting subsequent to each Committee meeting.</p> <p>(b) A formal review of the Company's risk management framework occurs at every Board meeting with the Board reviewing and prioritising the top risks faced by the Company as advised by the COO in conjunction with the Audit & Risk Management Committee. A formal review and planning session analysing and assessing the Company's risk register occurred a number of times through the reporting period between</p>

		the Audit & Risk Management Committee and the executive team.
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; OR</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>(a) The Company's internal audit function is exercised by the Finance Director, Mr Ben Guo, in conjunction with a bookkeeper who is outsourced by the Company to ensure a level of segregation particularly in relation to processes and procedures around such things as payment authorisations and limits of authority.</p> <p>(b) Not applicable.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company is not aware of any potential material exposure to economic and environmental risks but emphasises the summary of non-exclusive risks outlined in the Company's Replacement Prospectus lodged with ASIC on 10 June 2015. In relation to any potential, but as yet unknown, environmental risk, the Company has an environmental assurance bond with the Queensland Government for \$3,804,311.</p>
Principle 8 Recommendations:		Remunerate Fairly and Responsibly
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>(a) The Board has established a separate Remuneration Committee which:</p> <ol style="list-style-type: none"> (1) has 3 members being Dr Ralph Craven, Mr Alan du Mee and Mr Simon Kidston. A majority of the committee also being Dr Ralph Craven and Alan du Mée are independent. (2) the Committee is chaired by an independent director being Dr Ralph Craven. (3) A copy of the Remuneration Committee Charter is available on the Company's website. (4) The members of the committee are Dr Ralph Craven, Mr Alan du Mee and Mr Simon Kidston. (5) The Committee met twice in the financial year with all 3 members being present at the meeting of the Committee. <p>(b) Not applicable.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The Committee distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company's Constitution and the Corporations Act also provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Board is responsible for determining the remuneration of the executive directors (without the participation of the affected director).</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether</p>	<p>(a) A summary of the Company's policy on prohibiting transactions in associated products which operate to limit the risk of participating in invested entitlements</p>

	<p>through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.</p>	<p>under any equity based remuneration scheme is contained within the Remuneration Committee Charter.</p> <p>(b) Paragraph 6.2 (3) of the Company's Remuneration Committee Charter states: <i>"...The Committee must ensure that, where applicable, any payments of equity-based remuneration are made in accordance with the Company's constitution and any thresholds approved by the Company's shareholders. Committee members must be aware at all times of the limitations of equity-based remuneration. The terms of such schemes should clearly prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under these schemes. The exercise of any entitlements under these schemes should be timed to coincide with any trading windows under the Company's securities trading policy..."</i></p>
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9. ADDITIONAL SECURITIES EXCHANGE INFORMATION

The following information is provided pursuant to Listing Rule 4.10 and is current as at 30 July 2018 (unless otherwise stated):

Voting Rights

Shareholder voting rights are specified in clause 10.14 of the Company's Constitution lodged with the ASX on 6 July 2015. Option holders do not have the right to vote at a general meeting of shareholders until such time as the options have been converted into ordinary shares in the Company.

Total number of Shareholders	2,586
Total number of Option holders	11

The Names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholder notices given to the Company is as follows.

Substantial Shareholders	Total Units	Date of Notice
KFT Capital Pty Limited <Gundimaine A/C>	20,881,931	06.03.17
Zhefu Hydropower International Engineering Corporation Ltd	31,678,750	03.03.17
Danawa (Inv) Pty Ltd <Danawa Superannuation Fund A/C>	28,500,000	02.03.17

There are 116 shareholders with an unmarketable parcel of shares being a holding of less than 1,639 shares each for a combined total of 65,766 shares. This is based on a closing price of \$0.305 per share as at 30 July, 2018 and represents 0.0216% of the shares on issue.

Distribution of Shareholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	74	4,810	0.002
1,001-5,000	555	1,722,751	0.567
5,001-10,000	359	2,986,390	0.983
10,001-100,000	1,260	49,978,722	16.444
100,001 and over	338	249,238,841	82.005
Total	2,586	303,931,514	100.00
Top 20 Shareholders		Total Units	Percentage %

DANAWA (INV) PTY LTD <DANAWA S/F A/C>	28,500,000	9.377%
ZHEFU HYDROPOWER INTERNATIONAL ENGINEERING CORPORATION LTD	23,678,750	7.791%
KFT CAPITAL PTY LIMITED <GUNDIMAINA A/C>	17,700,000	5.824%
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,381,305	5.390%
CITICORP NOMINEES PTY LIMITED	15,345,380	5.049%
DOWNING DOMAIN INVESTMENTS PTY LTD <DOWNING FAMILY A/C>	14,712,254	4.841%
ZHEFU HYDRO POWER INTERNATIONAL ENGINEERING CORPORATION LTD	12,000,000	3.948%
AUSTRALIAN GO FUTURES PTY LTD	7,000,000	2.303%
BNP PARIBAS NOMS PTY LTD <DRP>	4,327,388	1.424%
MAJI MAZURI PTY LTD & MAWINGO PTY LTD	3,228,706	1.062%
KFS PTY LIMITED <SEK SUPER FUND A/C>	3,161,931	1.040%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,952,373	0.971%
LONGMUIR RESOURCES PTY LTD <W A S L SUPER FUND A/C>	2,905,000	0.956%
PANCHO (NSW) PTY LIMITED <THE GAVSOL SUPER FUND A/C>	2,800,000	0.921%
SACROSANCT PTY LTD	2,500,000	0.823%
MOORE PARK CAPITAL PTY LIMITED <SODAMNSOLID FUND A/C>	2,000,000	0.658%
JBWERE (NZ) NOMINEES LIMITED <42139 A/C>	1,800,000	0.592%
WOLSELEY ROAD #1 PTY LIMITED <ADSALEUM FAMILY A/C>	1,754,975	0.577%
MS YINGHUI LI	1,600,348	0.527%
STONECOT PTY LIMITED <HOSB SUPER FUND A/C>	1,500,000	0.494%
Top 20 Shareholders	165,848,410	54.568
Total Issued Capital	303,931,514	100.00

Distribution of Optionholders – Exercisable at \$0.25 expiring 7 February 2019

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.00
1,001-5,000	0	0	0.00
5,001-10,000	0	0	0.00
10,001-100,000	0	0	0.00
100,001 and over	6	8,500,000	100.00

Total	6	8,500,000	100.00
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Optionholders with more than 20% of the Class of Option:

ESCR INVESTMENTS PTY LTD <THE CRAVEN FAMILY A/C>		3,000,000	35.294
ALAN MYLES ROGER DE CHASTEIGNER DU MEE		2,000,000	23.529

Distribution of Optionholders – Exercisable at \$0.25 expiring 6 August 2020

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.00
1,001-5,000	0	0	0.00
5,001-10,000	0	0	0.00
10,001-100,000	0	0	0.00
100,001 and over	1	5,000,000	100.00
Total	1	5,000,000	100.00

Optionholders with more than 20% of the Class of Option:

A & M McGHIE INVESTMENTS PTY LTD <A & M McGHIE FAMILY A/C>		5,000,000	100.00
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Distribution of Optionholders – Exercisable at \$0.25 expiring 2 September 2021

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.00
1,001-5,000	0	0	0.00
5,001-10,000	0	0	0.00
10,001-100,000	0	0	0.00
100,001 and over	1	2,400,000	100.00
Total	1	2,400,000	100.00

Optionholders with more than 20% of the Class of Option:

JAMES WILLIAM HARDING		2,400,000	100.00
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Distribution of Optionholders – Exercisable at \$0.34 expiring 17 January 2022

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.00
1,001-5,000	0	0	0.00
5,001-10,000	0	0	0.00
10,001-100,000	0	0	0.00
100,001 and over	5	15,500,000	100.00
Total	5	15,500,000	100.00

Optionholders with more than 20% of the Class of Option:

RIVONIA PTY LIMITED <ADDISON FAMILY A/C>		4,000,000	25.806
KFT CAPITAL PTY LIMITED <GUNDIMAINA A/C>		4,000,000	25.806
LIGUO CAPITAL PTY LIMITED <BENJO FAMILY A/C>		4,000,000	25.806

Distribution of Optionholders – Exercisable at \$0.40 expiring 13 February 2023

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.00
1,001-5,000	0	0	0.00
5,001-10,000	0	0	0.00
10,001-100,000	0	0	0.00
100,001 and over	3	4,850,000	100.00
Total	3	4,850,000	100.00

Optionholders with more than 20% of the Class of Option:

JAMES WILLIAM HARDING		2,600,000	53.608
CRAIG ARTHUR FRANCIS		2,000,000	41.237

There are no shares or options subject to escrow.

There is no current on-market buy-back.

10. CORPORATE DIRECTORY

DIRECTORS

Dr Ralph Craven	Non-Executive Chairman
Mr Simon Kidston	Executive Director
Mr Ben Guo	Finance Director
Mr Michael Addison	Non-Executive Director
Ms Teresa Dyson	Non-Executive Director
Mr Yongqing Yu	Non-Executive Director
Mr Alan du Mée	Non-Executive Director

COMPANY SECRETARY

Mr Justin Clyne

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000
Telephone: +61 2 9048 8850
Email: info@genexpower.com.au

WEBSITE

www.genexpower.com.au

ASX CODE

GNX

AUDITORS

Ernst & Young
200 George Street
Sydney NSW 2000
Telephone: +61 2 9248 4283
Website: www.ey.com/au/en/home

SHARE REGISTRY

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au

PRINCIPAL BANKERS

National Australia Bank



ANNUAL REPORT

2018

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