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Half-Yearly Report

For the 6 month period ended
31 December 2017

ABN 18 152 098 854

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DIRECTORS' 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 six months period ended 31 December 2017 (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:

Ralph Craven
Michael Addison
Yongqing Yu
Alan du Mée
Ben Guo
Simon Kidston

Principal activities

The Consolidated Entity's principal activity is the development of the Kidston Energy Hub in far north Queensland.

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 half year period consisted of progressing and largely completing the construction of the 50MW Kidston Solar Project (**KS1**) resulting in its energisation and commissioning towards the end of the period in late November 2017. This was quickly followed by first revenue generation in early December. As at 31 December 2017, the construction of KS1 was largely complete other than ongoing commissioning works. Generation will be continually ramped up during the commissioning phase over the next few months until full capacity has been reached. It is expected that substantial completion of the project, which is when KS1 is operating at a minimum of 90% of its approved capacity, will be achieved in the current quarter. Since the start of December 2017, KS1 has sold all electricity generated directly into the National Electricity Market (**NEM**). During the current commissioning phase, the KS1 revenue earned from generation activities has been recognised as an offset to the construction costs which have been capitalised.

In November 2017, Genex executed a further funding agreement with ARENA to fund pre-financial close costs associated with Stage Two of the Kidston Renewable Energy Hub (**K2**). Funding provided under the agreement is up to \$5m and is structured as a Convertible Note similar to the first ARENA funding agreement provided in relation to K2-Hydro, which was announced in December 2015.

In terms of the K2 projects, Genex has made significant progress in the 6 months to 31 December 2017. In August 2017, Genex executed a binding heads of agreement with Powerlink to progress a range of activities required to connect the K2 projects to the Powerlink network. The work program is progressing well and includes activities such as undertaking environmental studies, transmission line design and easement acquisition, etc.

On the design front, with the assistance of Mott MacDonald and potential EPC contractors, Genex has completed a feasibility optimisation process which enhances the design and operation of the K2-Hydro project. The updated design utilised both of the existing mine pits as upper and lower reservoirs and will increase overall storage potential at the site to 8 hours.

During the period, Genex also executed a Joint Venture Early Contractor Involvement (**ECI**) agreement led by McConnell Dowell for K2-Hydro which was restructured post the end of the period to include John Holland Pty Ltd. Genex also executed an ECI with UGL Limited for K2-Solar. These ECI arrangements will allow Genex to work collaboratively with

contractors during this late development stage as the projects progress towards financial close targeted for calendar year 2018.

Genex has commenced discussions with bank and other lenders to progress project financing options for K2. In July 2017, the Company announced that it has progressed to the full due diligence phase with the Northern Australian Infrastructure Facility (NAIF) to provide partial debt funding for K2.

During the period, Genex drew down \$411,010 from the Convertible Note facility pursuant to the \$4 million ARENA Funding Agreement executed and announced to the market in December 2015 in relation to funding associated with K2-Hydro.

The Consolidated Entity generated an operating loss of \$6,075,537 for the half year ended 31 December 2017 (which is an increase of \$3,086,511 based on the loss of \$2,989,026 for the half year period ended 31 December 2016), principally due to additional costs associated with the construction of KS1 and development of the K2 projects.

Matters subsequent to the end of the year

There have been no other material events or circumstances which have arisen since 31 December 2017 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.

Loss per share

The loss per share for Genex Power Limited for the period was 2.11 cents per share.

Results of Operation and Dividends

The Group's net loss after taxation attributable to the members of Genex Power Limited for the period ended 31 December 2017 was \$6,075,537. The Directors of Genex have resolved not to recommend a dividend for the period ended 31 December 2017.

Auditor's independence declaration

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

On behalf of the directors



Ben Guo
Director

28 February 2018
Sydney



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

As lead auditor for the review of Genex Power Limited for the half-year ended 31 December 2017, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Lynn Morrison
Partner
28 February 2018

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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 22 February 2018. The directors have the power to amend and reissue the financial statements.

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Genex Power Limited**Interim consolidated statement of profit or loss and other comprehensive income****For the 6 months ended 31 December 2017**

	Notes	31 December 2017 \$	31 December 2016 Restated* \$
Revenue			
Other operating income		5,524	12,451
		5,524	12,451
Expenses			
Generation pre-development costs		(1,569,757)	(795,674)
Salary expenses		(1,247,496)	(1,127,265)
Administrative expenses		(899,371)	(415,548)
Compliance cost and regulatory fees		(82,223)	(101,649)
Consulting costs		(489,831)	(215,861)
Legal fees		(12,094)	(15,260)
Travel and marketing		(100,896)	(117,714)
Net loss on financial instruments at fair value through profit or loss		(954,425)	(277,019)
Total Expenses		(5,356,093)	(3,065,990)
		(5,350,569)	(3,053,539)
Operating Loss			
Finance costs		(871,123)	(64,116)
Finance income		146,155	128,629
Loss before tax		(6,075,537)	(2,989,026)
Income tax expense		-	-
Loss after income tax expense attributable to the owners of Genex Power Limited		(6,075,537)	(2,989,026)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net (loss) on cash flow hedges	5	(85,128)	-
Total comprehensive loss for the year attributable to the owners of Genex Power Limited		(6,160,665)	(2,989,026)
		Cents	Cents
Basic earnings per share		(2.11)	(1.73)
Diluted earnings per share		(2.11)	(1.73)

* Certain amounts shown here do not correspond to the December 2016 financial statements and reflect adjustments made, refer to Note 4

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Genex Power Limited
Interim consolidated statement of financial position

As at

		31 December 2017	30 June 2017
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	6	8,174,089	11,088,539
Trade and other receivables	8	1,566,997	1,256,233
Prepayments		151,574	272,648
Other current financial assets	8	3,415	-
		9,896,075	12,617,420
Non-Current Assets			
Bank Guarantee	8	4,261,913	3,997,625
Plant Property and Equipment	7	116,896,987	47,441,554
Other Assets		30,270	18,270
		121,189,170	51,457,449
Total Assets		131,085,245	64,074,869
Liabilities			
Current Liabilities			
Trade and other payables	8	4,826,911	10,831,289
Interest-bearing loans and borrowings	8	5,310,473	70,713
Government grant		12,037,668	12,037,668
Provisions		126,096	83,929
Other current financial liabilities		-	139,122
		22,301,148	23,162,721
Non-Current Liabilities			
Long term interest accrued		235,975	168,217
Interest-bearing loans and borrowings	8	88,010,287	16,043,532
Convertible notes		1,910,313	1,614,600
Other non-current financial liabilities	8	4,587,953	3,290,567
Rehabilitation and restoration provision		3,820,200	3,820,200
		98,564,728	24,937,116
Total Liabilities		120,865,878	48,099,837
Equity			
Share capital		35,950,001	35,493,073
Option reserves		2,678,258	2,730,184
Cash flow hedge reserve		(1,753,622)	(1,668,494)
Accumulated losses		(26,655,268)	(20,579,731)
Total Equity		10,219,369	15,975,032
Total Liabilities and Equity		131,085,245	64,074,869

Genex Power Limited
Interim consolidated statement of changes in equity
For the 6 months ended 31 December 2017

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)	(20,579,731)	15,975,032
Loss after income tax	-	-	-	(6,075,537)	(6,075,537)
Total comprehensive loss for period	35,493,073	2,730,184	(1,668,494)	(26,655,268)	9,899,495
Shares issued during the period	332,040	-	-	-	332,040
Loyalty options exercised	124,888	(124,888)	-	-	-
Cash flow hedge reserve	-	-	(85,128)	-	(85,128)
Share options issued during the period	-	72,962	-	-	72,962
Balance at 31 December 2017	35,950,001	2,678,258	(1,753,622)	(26,655,268)	10,219,369

Genex Power Limited
Interim consolidated statement of changes in equity (continued)
For the 6 months ended 31 December 2016 (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	-	(11,184,612)	6,091,633
Loss after income tax		-	-	-	(2,989,026)	(2,989,026)
Total comprehensive loss for period		15,878,724	1,397,521	-	(14,173,638)	3,102,607
Shares issued during the period		9,924,781	-	-	-	9,924,781
Transaction cost		(560,739)	-	-	-	(560,739)
Loyalty options converted		-	(690)	-	-	(690)
Share options issued during the period		-	95,088	-	-	95,088
Balance at 31 December 2016		25,242,766	1,491,919	-	(14,173,638)	12,561,047

* Certain amounts shown here do not correspond to the December 2016 financial statements and reflect adjustments made, refer to Note 4.

Genex Power Limited
Interim consolidated statement of cash flows
For the 6 months ended 31 December 2017

	Notes	31 December 2017	31 December 2016 Restated*
		\$	\$
Cashflow from Operating Activities			
Receipts of fuel tax credits		5,524	12,451
Payments to suppliers		(9,666,980)	(1,640,393)
Payments to employees		(1,097,737)	(973,146)
Interest received		146,155	128,629
Interest paid		(1,676,394)	(60,706)
Net cash utilised by operating activities		(12,289,432)	(2,533,165)
Cashflow from Investing Activities			
Purchase of Property, Plant and Equipment		(68,298,562)	(565,094)
Funds invested into a term deposit/bank guarantee		(12,000)	-
Net cash used in investing activities		(68,310,562)	(565,094)
Cashflow from Financing Activities			
Proceeds from issue of shares		332,040	9,364,042
Proceeds from issue of convertible bonds		411,010	-
Proceeds from borrowings		76,942,494	-
Repayment of borrowings		-	(2,150,000)
Net cash from financing activities		77,685,544	7,214,042
Net increase in cash and cash equivalents		(2,914,450)	4,115,783
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		8,174,089	8,295,397

* Certain amounts shown here do not correspond to the December 2016 financial statements and reflect adjustments made, refer to Note 4.

Note 1. Corporate information

The interim condensed consolidated financial statements of Genex Power Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 February 2017.

Genex Power Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are the development and management of renewable energy generation projects.

Note 2. Basis of preparation and changes to the Group's accounting policies**2.1 Basis of preparation**

The interim condensed consolidated financial statement for the six months ended 31 December 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

2.2 New standards, interpretations and amendments adopted by the Group

AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 8.
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2.3 Going concern

As at 31 December 2017 the Group had a net current deficiency of \$12.4m of which \$12.0m relates to Government Grants which is a non-cash outflow. The Directors believe the cash generated from the 50MW Kidston Solar Project (KS1) will be sufficient to cover the residual deficiency of \$0.4m and to complete the construction of KS1. The Group also has \$11m in undrawn borrowings available to fund the remaining \$14m in construction costs, the residual of this balance will be funded by cash generated from KS1.

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.

Note 3. Segment Information

Management has determined that the consolidated entity has one reportable segment; the development of Kidston Renewable Energy hub projects in Australia.

Note 4. Correction of prior periods' errors

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

Convertible notes

On 18 December 2015, Genex Power signed a convertible note deed with the Australian Renewable Energy Agency ("ARENA") which enables Genex Power to issue convertible bonds up to \$4m. The convertible note was originally accounted for as a hybrid financial instrument with financial liability and equity portion recognised respectively. However, since the consolidated entity does have the option to settle the convertible bond either in cash or with a certain number of its own shares when ARENA requests to convert, the conversion right is a derivative (in effect, a written call option over the issuer's own shares) which may potentially be settled in cash, such that there is a settlement alternative that does not result in it being an equity instrument, according to AASB 132 Financial Instruments: Presentation. As a consequence, finance income was overstated by \$44,809, finance expenses were understated by \$64,116 and net movement in fair value of embedded derivative was understated by \$265,185 in HY17. In FY 17 and HY18, the consolidated entity conducted a detailed review of the terms and conditions of the convertible notes deed and discovered the error.

Share based payments

In HY16, Genex Power had granted 2.4m options to its General Manager with vesting conditions based on the achievement of 3 milestones of the development project. Estimate on the numbers of options expected to be vested has been taken into account when the share-based payment was initially accounted for, however, the length of the vesting period was not contemplated which means the fair value of the options were expensed in full when granted. As a consequence, salary expenses have been understated by \$7,096 in HY17.

For the year ended 30 June 2017, the Group also disclosed the correction of prior periods related to the Acquisition of Kidston Gold Mines Ltd and Government Grants. These corrections, which impact the balance sheet, are included in the balances recorded at 31 December 2017. For further information please refer to pages 36 and 37 of the 30 June 2017 financial statements.

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

	31 December 2016
	\$
Interest revenue	(44,809)
Salary expenses	(7,096)
Net loss on financial instruments at fair value through profit or loss	(265,185)
Other costs	44,809
Finance costs	(64,116)
Net impact on profit for the year	(336,397)
Attributable to:	
Equity holders of the parent	(336,397)
Non-controlling interests	-

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

	31 December 2016
	\$
Earnings per share	
Basic, profit for the year attributable to ordinary equity holders of the parent	0.03
Diluted, profit for the year attributable to ordinary equity holders of the parent	0.03

Note 5: Components of Other Comprehensive Income

	For the 6 months ended	
	31 December	
	2017	2016
	\$	\$
Cash flow hedges:		
Gains arising during the year		
Currency forward contract	3,415	-
	<u>3,415</u>	<u>-</u>
Interest rate swaps:		
	(88,543)	-
	<u>(88,543)</u>	<u>-</u>
	(85,128)	-

Note 6. Cash and cash equivalents

	31 December	30 June
	2017	2017
	\$	\$
Cash at bank	8,174,089	11,088,539
Cash and cash equivalents	<u>8,174,089</u>	<u>11,088,539</u>

Note 7. Property, Plant and Equipment

	31 December	30 June
	2017	2017
	\$	\$
Land	175,000	175,000
Work in Progress Capital assets	112,766,177	43,306,214
Pre-development assets	3,918,777	3,918,777
Leasehold Improvements	37,033	41,563
	<u>116,896,987</u>	<u>47,441,554</u>

Working in Progress Capital Assets and Pre-development assets are part of the Kidston Solar Farm which is currently under construction. 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.

Capitalised borrowing costs

The Kidston solar project (Phase One 50MW) is currently in development and is expected to be substantially completed in 1Q 2018. The carrying amount of the Kidston solar project at 31 December 2017 was \$112,814,242 (30 June 2017: \$43,306,214). The Kidston solar project is financed by a \$100.1 million senior debt facility with third party banks. Borrowing costs on the facility have been capitalised. The amount of borrowing costs capitalised during the 6 months ended 31 December 2017 was \$1.3m (FY17: \$2.9m). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.37%, which is the EIR of the specific borrowing facility.

Note 8: Financial assets and financial liabilities**Financial assets**

	31 December 2017	30 June 2017
	\$	\$
Financial assets at amortised cost		
Trade and other receivables	1,566,997	1,256,233
Bank guarantee	4,261,913	3,997,625
Total financial assets	5,828,910	5,253,858
Total current	1,566,997	1,256,233
Total non-current	4,261,913	3,997,625

Financial liabilities: interest-bearing loans and borrowings

	31 December 2017	30 June 2017
	\$	\$
Non-derivatives		
<i>Non-interest bearing</i>		
Trade and other payables	4,826,911	10,831,289
<i>Interest-bearing – fixed rate</i>		
\$100,118,187 Senior Loan (Current)	1,194,025	
\$100,118,187 Senior Loan (Non-Current)	88,010,287	16,328,777
\$4,100,000 CEFC Facility	4,100,000	-
Hunter premium facility	16,448	70,713
Total non-derivatives	98,147,671	27,230,779

There have been no amounts pledged as collateral.

Other current financial asset

	31 December 2017	30 June 2017
	\$	\$

Derivatives designated as hedging instruments

Foreign exchange forward contracts	3,415	-
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Other financial liabilities

	31 December 2017	30 June 2017
	\$	\$

Derivatives not designated as hedging instruments

Embedded derivatives	2,830,916	1,761,195
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Derivatives designated as hedging instruments

Foreign exchange forward contracts	-	139,122
Interest rate swaps	1,757,037	1,529,372

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

Trade and other payables	4,826,911	10,831,289
Total financial liabilities	9,414,864	14,260,978
Total current	4,826,911	10,970,411
Total non-current	4,587,953	3,290,567

Risk management activities**Cash flow hedges for currency risks**

During the period, the Group designated foreign currency forward contracts as hedges of highly probably purchases of fixed assets in US dollars (USD) and Euros (EUR) from its EPC contractor. The forecast purchase has occurred in February 2018.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecast transactions. Both parties to the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated with the contracts (both the counterparty's and the Group's own credit risk). Consequently, the hedges were assessed to be highly effectively.

As at 31 December 2017, an unrealised loss of \$789 relating to the USD forward contract and an unrealised gain of \$4,204 related to EUR forward contracts are included in other comprehensive income.

Cash flow hedges for interest rate risks

During the period, the Group designated foreign interest rate swap contracts as hedges for long term loan financing for the construction of the KS1 project. The loan is expected to be fully drawn down in 1Q 2018.

The terms of the interest rate swap contracts have been negotiated to match the terms of the forecast transactions. Both parties to the contract have fully cash collateralised the interest rate swap contracts, and therefore, effectively eliminated any credit risk associated with the contracts (both the counterparty's and the Group's own credit risk). Consequently, the hedges were assessed to be highly effectively.

As at 31 December 2017, an unrealised loss \$1,757,037 relating to the interest rate swap are included in other comprehensive income.

Note 9. 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 31 December 2017:

	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	31 December 2017	1,757,037	-	1,757,037	-
Foreign exchange forward contracts	31 December 2017	(3,415)	-	(3,415)	-

Embedded derivatives	31 December 2017	2,830,917	-	2,830,917	-
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Fair value measurement hierarchy for liabilities as at 30 June 2017:

	Date of valuation	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 2017, 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 Ho-Pfeffer ("HP") binomial pyramid model (Residual approach) 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.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 31 December 2017.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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 at fair value on a recurring basis, the Group 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.

Note 10. Share-based payments

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

	31 December 2017	31 December 2016 *Restated
	\$	\$
Expense arising from equity-settled share-based payment transactions	72,963	95,088
Total expense arising from share-based payment transactions	72,963	95,088

There were no cancellations or modifications to the awards in FY17 or FY16

On 7 July 2017, the board of directors authorised the issue of 1,500,000 share options in the consolidated entity to the Company Secretary. The exercise price was \$0.34 which was equal to 42% premium over the market price of the shares on the date of issue. The options vest if the Company Secretary remains with the Company until 1 January 2019. \$72,963 has been recognised as expenses in FY18 for this grant.

The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of options granted is 4.5 years. There is no cash settlement of the options. The fair value of options granted during the six months ended 31 December 2017 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0
Expected volatility (%)	60.60
Risk-free interest rate (%)	0
Expected life of share options (years)	3.09
Weighted average share price (\$)	0.24

The weighted average fair value of the options granted during the six-month period was \$0.1002 (year ended 30 June 2017: \$0.0815).

For the six months ended 31 December 2017, the Group has recognised \$72,963 of share-based payment expense in the statement of profit or loss (31 December 2016: \$95,088).

Note 11. 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. The minimum commitment on the remainder of the lease is \$421,044.

Capital commitments

At 31 December 2017, the consolidated entity had capital commitments of \$14,604,719 (2016: \$Nil) relating to the completion of the Kidston Solar Phase One Project.

Note 12. Related party transactions

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.

Note 13. Events after the reporting year

There have been no other material events or circumstances which have arisen since 31 December 2017 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.

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 half-year ended 31 December 2017 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 31 December 2017 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Ben Guo
Director

28 February 2018
Sydney

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Genex Power Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2017, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Lynn Morrison', written in a cursive style.

Lynn Morrison
Partner
Sydney
28 February 2018

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CORPORATE DIRECTORY**DIRECTORS**

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

COMPANY SECRETARY

Mr Justin Clyne

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AUDITORS

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PRINCIPAL BANKERS

National Australia Bank