

# Genex Power

2020

## Annual Report



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# Genex Power...

## Renewable energy on tap...

Genex Power Limited is an Australian publicly listed company on the ASX (trading under the code '**GNX**'), focused on generation and storage of renewable energy. Genex is developing a clean energy hub in north Queensland, integrating large-scale solar with pumped storage hydro. The Genex 'Kidston Clean Energy Hub' is a world first, innovative integration of intermittent solar energy with large scale energy storage creating "**Renewable Energy On Tap**". The Company is also currently developing the 50MW Jemalong Solar Project (**JSP**), located near Forbes in NSW and a 50MW/75MWh large scale battery in Queensland.



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**Jemalong Solar Project, Forbes NSW**



# 1. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors of Genex Power Limited it is with great pleasure that I present to you the Annual Report for the 2020 Financial Year, a year in which Genex continued to grow and execute on our strategy to build a diversified renewable energy and storage company.

## 2020 – A year of delivery and further development

As with previous years, FY20 was a busy and successful year.

The Company made significant progress on advancing our flagship Kidston Pumped Storage Hydro Project. Debt financing for the project was secured via a conditional approval for A\$610m of concessional debt from the Northern Australia Infrastructure Facility. A long term energy offtake agreement was finalised in March this year via a signed Binding Energy Storage Services Agreement with EnergyAustralia Pty Ltd. We continue our extensive engagement with all project stakeholders to finalise arrangements for financing and the project is currently in a position to reach financial close in Q4 2020.



As part of Genex's growth strategy, we announced the successful acquisition of the 50MW Jemalong Solar Project. The project, located near Forbes, is well located in the NSW grid network. Construction activities at Jemalong are progressing on budget and on time and the project is on track to be operational in Q4 of this calendar year. The Jemalong Solar Project is an exciting project for Genex with the potential to deliver a step change in revenue.

The Company's first completed project, the 50MW Kidston Solar Project has performed well across FY20, generating clean renewable energy into the National Electricity Market. In December 2019, Genex successfully refinanced the existing debt facility associated with the 50 MW Kidston Solar Project via a funding package which included the largest Certified Green Loan by an Australian renewable energy group, highlighting our environmental credentials.

Recently Genex announced it is undertaking initial investigations for a Battery Energy Storage System in Queensland. This project draws on our extensive understanding of the Queensland network and operating characteristics. Storing energy generated at low spot prices during daylight hours for release at higher priced periods using a large battery storage system will diversify Genex's footprint as a focussed renewable energy company. Our development and construction timetable for this project anticipates first revenues in Q4 of CY21.

## Ongoing support from our key Stakeholders

I would like to acknowledge the ongoing strong support that Genex has received from a number of Federal and State Government entities. The Australian Renewable Energy Agency continues to support the funding of the development costs associated with our Kidston Pumped Storage Hydro Project. It is also very pleasing to acknowledge the significant support from the Northern Australia Infrastructure Facility as a result of their investment decision to offer long term concessional finance to this project which, when commissioned, will not only deliver very flexible energy storage but also provide much needed system strengthening to the entire North Queensland power network. I would also like to recognise the Queensland State Government for their long term commitment to our 50MW Kidston Solar Project in the form of a 20-year Revenue Support Deed and for designating the Kidston Clean Energy Hub as 'Critical Infrastructure' to the State.

## **Our People**

On behalf of the Board I would like to thank all our employees, and contractor workforces, for their tremendous efforts during what has been an incredibly challenging year. It is a testament to the team and the protocols that the Company has put in place that we were able to remain fully operational during the COVID-19 pandemic.

## **Outlook for FY21**

Genex's immediate focus remains reaching financial close for our Kidston Pumped Storage Hydro project and the completion of construction of our Jemalong Solar Project this Calendar Year. The delivery of these projects will position Genex as a leader in the Australian renewables and energy storage market.

On behalf of the Board, I would like to thank all shareholders for their support over the past year and extend a warm welcome to all new shareholders that have joined us on our journey.

Yours faithfully,

**Dr Ralph Craven**

Independent Non-Executive Chairman

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## 2. CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

### Company Overview:

I am pleased to present this Review of Operations during my second year in the role as Chief Executive Officer.

Throughout the 2020 Financial Year (**FY20**), the Genex executive and management team has continued to deliver on the Company's strategy of building a diversified renewable energy and storage company.

With an operating solar farm in Queensland, a solar project under construction in New South Wales, development of Australia's first pumped storage hydro project in over 30 years in Queensland, and an emerging large scale battery project, the Company is well on track to fulfill that strategy. By 2024, the Company's renewable energy portfolio is targeted to be in a position to offset over 1.9 million tonnes of CO<sub>2</sub> emissions, and produce enough renewable energy to power over 356,000 homes.

The key achievements delivered by Genex over the year are detailed below, and I would like to extend my heartfelt thanks to all of our staff for their efforts in what was a very busy, challenging but ultimately successful year for our Company.



Date	Key Announcement
11 July	NAIF Approves \$610M Concessional Funding for Kidston Hydro
26 July	Completion of Share Purchase Plan
04 September	Qld Govt Funding Package for Kidston Hydro Transmission Line
13 November	NAIF Board Approves Extension of Kidston Hydro Funding Offer
22 November	Genex Executes New MOU with J-POWER for Kidston Hydro
18 December	Financial Close for Jemalong and Kidston Solar 1 Refinancing
30 March	Genex Signs Binding Energy Storage Services Agreement with Energy Australia for Kidston Hydro Project

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

KS1 has performed well across the year, continuing to generate clean renewable energy into the grid. While the operation of the plant was affected by a software issue in October 2019, causing a temporary plant outage (*refer to ASX Announcement dated 30 January 2020*), and a serial defect was identified in the inverters which has since been rectified, the project generated in excess of A\$10m in revenue for FY20. In addition, we were successful in refinancing the KS1 debt facility with JSP to take advantage of the lower interest rate environment at the time.

### Stage 2 - 250MW Kidston Pumped Storage Hydro Project (K2-Hydro):

During the year, despite an early setback Genex made significant progress in moving the project towards financial close.

In November 2019, the Company received notice from EnergyAustralia that they would not be able to reach a positive investment decision on the basis of the long term energy agreement structure outlined in the original term sheet (*refer to ASX Announcement dated 1 November 2019*). Following the November announcement, Genex continued to engage with EnergyAustralia to restructure the energy offtake arrangements. That constructive ongoing dialogue resulted in the Company announcing the signing of a binding Energy Storage Services Agreement (**ESSA**) with EnergyAustralia for K2-Hydro on 30 March 2020 (*refer to ASX Announcement*).

The ESSA covers an overall period of up to 30 years, with an initial term of 10 years and two options to extend for a further 10 years each. The ESSA, will see Genex provide EnergyAustralia with full operational dispatch rights for the project in exchange for a fixed annual rental payment, escalating over the agreement term. Following expiry of the full 30-year term (and therefore conditional on the exercise of the extension options), EnergyAustralia will have the right to acquire Genex's shareholding in the Project for a fixed cash payment.

Following the ESSA announcement, the Company has been extensively engaged with the construction contractors to update terms and pricing for the Project. That exercise is now complete, with the finalisation of contractual terms and pricing with the following core contractors:

- Engineering Procurement and Construction (**EPC**) contractor – Joint Venture of McConnell Dowell Constructors (Aust) Pty Ltd and John Holland Pty Ltd;
- Electromechanical Equipment nominated subcontractor to EPC – ANDRITZ Hydro GmbH;
- Connection Assets Infrastructure contractor – Beon Energy Solutions Pty Ltd;
- Construction Camp Operator – ISS Facility Services Australia Ltd; and
- Owner's Engineer – Hydro-electric Corporation (Hydro Tasmania) (trading as Entura).

In addition, Genex has concluded contract terms with ANDRITZ Hydro GmbH to act as the Operations and Maintenance provider to the Project under a long-term O&M Contract.

The Company continued to progress the debt funding package for K2-Hydro. Debt financing for the project was secured via a conditional approval for A\$610m of concessional debt from the Northern Australia Infrastructure Facility. The Offer of Funding has been extended to 30 September 2020 (*refer to ASX Announcement dated 1 July 2020*), to match anticipated financial close for the project. The NAIF concessional debt facility will be used to fund the debt required for the project.

In June 2020, the Company received a revised Offer to Connect from Powerlink (*refer to ASX Announcement dated 1 July 2020*). The Offer to Connect includes the construction of the Transmission Line (to connect K2-Hydro to the Queensland grid network at Mount Fox) and contains updated pricing with validity to 30 September 2020. In addition, Genex has secured the extension of its Generator Performance Standards approval by AEMO (*refer to ASX Announcement dated 14 June 2019*) to 30 September 2020, to align with the validity of the Offer to Connect.

To further support the development of K2-Hydro, Genex signed a Share Subscription Agreement (**SSA**) with Electric Power Development Co Ltd trading as J-POWER post the end of the financial year (*refer to ASX Announcement dated 3 August 2020*). J-POWER is a leading Japanese public utility company listed on the Tokyo Stock Exchange with a market capitalisation of approximately A\$3.8 billion. J-POWER has a significant portfolio of hydroelectric (including pumped hydro), coal-fired power and wind power generation assets and will bring considerable technical expertise to the project.

The investment by J-POWER under the SSA is subject to shareholder approval at a forthcoming Extraordinary General Meeting of shareholders to be held on 18 September 2020. As a further term of the SSA, J-POWER has agreed to provide engineering support and other professional services under a Technical Services Agreement to Genex in relation to the development and operations phase of K2-Hydro.

Genex has in the meantime been actively engaged with a selection of potential strategic investors to take up to a 50% interest in K2-Hydro project alongside Genex. The process is well progressed, and we hope to provide an update in relation to the selection of a preferred equity partner shortly.

Genex continues its discussions with the Queensland Government for the co-funding of the Transmission Line (*refer to ASX Announcement dated 4 September 2019*) which remains the main condition precedent to achieving financing close.

50MW Jemalong Solar Project (JSP):

During the course of the 2019 financial year, Genex announced that it had successfully secured its first expansion project outside Queensland with the acquisition of the JSP (*refer to ASX Announcement dated 12 March 2019*). JSP, which is located near Forbes in western New South Wales, is well located in relation to the electricity network. In December 2019, the Company executed an EPC and O&M contract with Beon Energy Solutions and reached financial close of the project (*refer to ASX Announcement dated 18 December 2019*).

To date, construction activities remain largely unaffected by the COVID-19 pandemic and construction is now well advanced with approximately 75% of the tasks from the construction schedule ongoing or complete. When operational, JSP will produce up to 129,450MWh per annum, providing enough electricity to power more than 23,000 Australian homes and offsetting approximately 106,500t of CO<sub>2</sub>. JSP is expected to be operational in late Q4 CY20, with energy being sold directly into the NEM, allowing Genex to collect the spot-price for electricity and additional revenue from the sale of Large-scale Generation Certificates. The project has the potential to contract revenues in due course, and discussions with potential counterparties are progressing.

The JSP project financing was undertaken in conjunction with a refinancing of our KS1 asset. The total debt funding package of A\$192m includes a senior loan facility and a structurally subordinated loan facility. The senior facility was independently verified as the first Green Loan globally to be Certified under the latest internationally recognised Climate Bonds Standard V3.0. The 100MW portfolio financing includes the largest Certified Green Loan by an Australian renewable energy group.

50MW/75MWh Como Battery Project (CBP):

Post the end of the financial year, we announced our intention to explore the development of the Como Battery Project (CBP). Genex has developed a deep understanding of the business case for energy storage in Queensland, through our activities at KS1 and K2-Hydro. As such, we been working closely with Powerlink Queensland, prospective offtakers and system suppliers in relation to a large scale battery energy storage system project to be located near Rockhampton in Central Queensland.

The CBP is entirely consistent with Genex's strategy of building a diversified renewable energy and storage company.

Kidston Stage 2 – 165MW Solar Farm (K2-Solar)

The K2-Solar project will complement the K2-Hydro project, as the 165MW the solar farm is sized to be able to feed one of the two pumps of K2-Hydro with clean energy and very low electrical losses. The project is well progressed, with land secured and development and environmental approvals largely completed. Focus will return to the development of K2-Solar once we have reached financial completion of K2-Hydro.

Kidston Stage 3 - 150MW Wind Project (K3-Wind)

The K3-Wind project is in advanced feasibility stage and represents an important part of Genex's pipeline of opportunities. We are currently completing the feasibility assessment and expect to progress the development in parallel with the K2-Solar project once K2-Hydro reaches financial close.

COVID-19

In March 2020, the Company implemented a number of measures to ensure the safety of our employees and continuity of our business operations. These measures include a mandatory work from home policy with the office premises only available to employees on a one by one basis with my prior permission. Weekly management meetings, daily 'toolbox' and other ad hoc sessions are held regularly by telephone or videoconference to ensure that management and staff remain fully operational. The Company also implemented a policy to restrict visitors to our operating and accommodation facilities at Kidston such that only essential personnel approved by the COO are permitted. At the

Jemalong Solar Project, our EPC Contractor Beon has implemented a strict COVID-19 protocol, and through careful supply chain management they have managed to complete the procurement of equipment and materials without any project delays.

We will continue to monitor that the COVID-19 situation so that we can respond quickly and decisively, and in a manner which is consistent with State and Federal Government directions as well as best business practice.

### Summary and Outlook

In summary, FY20 has been an exciting year for Genex as we seek to further develop our strategy as a diverse renewable energy and storage company. I would like to acknowledge the support from the Federal Government, through the Australian Renewable Energy Agency, the Northern Australian Infrastructure Facility and the Clean Energy Finance Corporation. I would also like to recognise the Queensland State Government for providing a 20-year revenue support deed for KS1, for designating Kidston hub as a critical infrastructure project, and for supporting the K2-Hydro project through its proposed co-funding of the new 275kV transmission line from Kidston to Mt Fox.

I would like to express my thanks to the Genex Board which has provided valuable guidance to the management team as we execute our growth strategy. I would also like to thank all our shareholders for their continued support, as I look forward with confidence to Genex delivering another successful year in FY21.

Yours faithfully,

**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 2020 (referred to hereafter as the '**consolidated entity**' or the 'Group').

#### 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  
Teresa Dyson  
Ben Guo  
Simon Kidston

#### Principal activities

The consolidated entity's principal activities during the period comprised the development of the Kidston Clean Energy Hub in Far North Queensland (**FNQ**), the operation of KS1, the development of the Jemalong Solar Project (**JSP**) in New South Wales and early development associated with the Como Battery Project.

#### 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 Clean Energy Hub located in FNQ, the operation of KS1 and the project financing and construction of the JSP in New South Wales.

For the year ended 30 June 2020, the consolidated entity incurred an after-tax loss of \$10.5 million. The majority of increase on cost was due to share-based payment and depreciation that included amortisation for right of use asset under AASB16 Leases.

During the 2020 financial year Genex received an aggregate amount of \$21.5 million before costs from a placement and Share Purchase Plan in July 2019.

During the year, Genex refinanced KS1 and project financed JSP via a new senior debt agreement for \$175 million. Additionally, \$17m was drawn from a Mezzanine facility provided by Clean Energy Finance Corporation. As at 30 June 2020, the total loan outstanding was \$165 million. During the year, KS1 earned \$10.3 million in revenue.

#### Matters subsequent to the end of the year

In August 2020 Genex executed a Share Subscription Agreement with Electric Power Development Co Ltd trading as J-Power, a large Japanese utility to subscribe for up to \$25 million of new shares in Genex Power with the funds to be principally applied towards Genex's Kidston Pumped Storage Hydro project (K2-Hydro). The share subscription is subject

to a number of conditions precedent including the approval of Genex's shareholders at an Extraordinary General meeting in September 2020 and K2-Hydro reaching financial close.

In August 2020 Genex undertook a capital raising via a Share Placement (**Placement**) and Share Purchase Plan (**SPP**). The total amount raised in the Placement was \$21.3 million before costs associated with the Placement. The SPP seeks to raise up to a maximum of \$7 million. The new shares under the Placement were issued to existing and new sophisticated and institutional shareholders and the shares under the SPP will be issued to existing eligible shareholders.

The Company received a revised Offer to Connect from Powerlink. The Offer is to Connect includes the construction of the Transmission Line (to connect K2-Hydro to the Queensland grid network at Mount Fox) and contains updated pricing with validity to 30 September 2020. In addition, Genex has secured the extension of its Generator Performance Standards approval by AEMO to 30 September 2020, to align with the validity of the Offer to Connect.

Apart from the matters outlined above, there have been no other material events or circumstances which have arisen since 30 June 2020 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 is currently focussed on rapidly progressing the development of the Como Battery Project, completion and first revenue generation from the JSP and financial close of K2-Hydro.

#### **Environmental regulation**

The Kidston Clean Energy Hub Site is covered by 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's current use of the site as an operator and developer of diverse renewable energy. Genex, in agreement with the Queensland Department of Environment and Science (**DES**), has entered into an Environmental Evaluation process with a view to amending certain provisions of the EA to be consistent with Genex's current site use.

## Information on directors

**Name:** Dr Ralph Craven

**Title:** Independent Non-Executive Chairman

**Qualifications:** BE PhD, FIEAust, FIPENZ, FAICD

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

**Other Current Directorships:**

Senex Energy Limited (from 2011)

AusNet Services Limited (from 2014)

**Former Directorships (last 3 years):** None



### Experience and expertise:

Dr. Craven has respected credentials in energy, resources, infrastructure development, transmission and power generation. 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). Dr. Craven has held senior executive positions with energy and resource 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, Chairman of Stanwell Corporation Limited and Chairman of Tully Sugar Limited. Dr. Craven was also Deputy Chairman of Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina).

**Name:** Michael Addison

**Title:** Non-Executive Director

**Qualifications:** BSc (Eng), MPhil (Oxon)

**Special Responsibilities:** Member, Audit & Risk Management Committee

**Other Current Directorships:** Cobre Limited (from 25/11/2019)

**Former Directorships (last 3 years):**

Frontier Diamonds Limited (resigned 4/6/18)

Intra Energy Corporation Limited (resigned 28/9/17)



### 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 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, and has an Oxford University postgraduate degree in Management Studies. Michael is a founding director and shareholder of Genex.

**Name:** Teresa Dyson

**Title:** Non-Executive Director

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

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

**Other Current Directorships:**

Seven West Media Limited (from 2017)

Shine Justice Limited (from 2020)

**Former Directorships (last 3 years):**

Consolidated Tin Mines Limited (2019-2020)



Teresa is a director and Audit & Risk Committee Chair of ASX-listed Seven West Media Ltd (2017 – Present) and a non-executive director of Shine Justice Ltd (ASX: SJL) from February 2020 - present. Teresa is also a director of Energy Qld Ltd, Energy Super, Power & Water Corporation, National Housing Finance & Investment Corporation and the Gold Coast Hospital & Health Board. She is a member of the Foreign Investment Review Board and the Takeovers Panel. Teresa has broad legal experience across infrastructure, financial structuring, social infrastructure and taxation law. 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, MAICD

**Special Responsibilities:** Member, Remuneration Committee

**Other Current Directorships:** None

**Former Directorships (last 3 years):** None



**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 almost 30 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 needs, 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:** Group Finances

**Other Current Directorships:** None

**Former Directorships (last 3 years):** None



**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  
**Other Current Directorships:** None  
**Former Directorships (last 3 years):** None



**Experience and expertise:**

Mr. Yongqing Yu is the Vice Chairman of Shenzhen listed Zhefu Holding Group (Zhefu). Zhefu is the 100% shareholder of Asia Ecoenergy Development Limited (AED is Zhefu's Hongkong subsidiary) and the largest private hydroelectric electrical and mechanical equipment manufacturers in China. 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 has 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 2020, and the number of meetings attended by each director was:

Name	Board		Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
Dr Ralph Craven	16	16	4	4	2	2
Michael Addison	16	16	4	4	-	-
Simon Kidston	16	13	-	-	2	2
Ben Guo	16	16	-	4	-	-
Teresa Dyson	16	16	4	4	2	2
Yong Qing Yu	16	-	-	-	-	-

'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 Holding Group was invited to each 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 executive remuneration, the Board takes into consideration the Company's financial and operational performance along with industry and market conditions.

Remuneration packages for the Company's CEO and senior executives 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 a fixed sum per annum as determined by shareholders at an annual general meeting, to be divided as agreed amongst the non-executive Directors and in default of agreement then in equal shares. The current aggregate limit for the payment of director fees to non-executive Directors is \$400,000 per annum.

A Director may be paid additional fees or other amounts as the Remuneration Committee determines 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 Senior Executives and considers both short term and long-term compensation. The Company seeks to compensate its executives fairly and undertakes an annual review and benchmarking of remuneration arrangements. The Company also recognises that much is required of our small team of executives to accomplish the goals the Company has set for itself.

This Remuneration Report outlines the arrangements which were in place during the year ended 30 June 2020 for the Directors and key management personnel. The salary for all directors includes a one-off exertion payment. The share-based payments relate to the valuation of options issued to directors during the year. The employee benefits relate to leave entitlements.

	Short-term benefits		Other employment benefits	Share-based payments	Total
	Cash Salary and Fees	Superannuation benefits			
2020	\$	\$	\$	\$	\$
<b>Executive Directors</b>					
S Kidston	398,825	17,275	28,598	450,000	894,698
B Guo	398,825	17,275	54,060	450,000	920,160
<b>Non-Executive Directors</b>					
R Craven	157,500	14,963	-	600,000	772,463
M Addison	112,688 <sup>1</sup>	9,215	-	450,000	571,903
Teresa Dyson	79,500	7,553	-	225,000	312,053
Yongqing Yu	-	-	-	-	-
<b>Sub-Total</b>	<b>1,147,338</b>	<b>66,281</b>	<b>82,658</b>	<b>2,175,000</b>	<b>3,471,277</b>

<sup>1</sup> The fee paid to Mr Addison in the 2020 financial year comprised a director's fee of \$72,000, consulting fees and a one-off special exertion payment of \$25,000.

**Chief Executive Officer**

James Harding	374,471	22,467	15,006	95,073	507,017
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**Chief Operating Officer**

A McGhie	382,763	22,387	5,272	-	410,422
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<b>Sub-Total</b>	<b>757,234</b>	<b>44,854</b>	<b>20,278</b>	<b>95,073</b>	<b>917,439</b>
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<b>Total</b>	<b>1,904,572</b>	<b>111,135</b>	<b>102,936</b>	<b>2,270,073</b>	<b>4,388,716</b>
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	Short-term benefits Cash Salary and Fees	Superannuation benefits	Other employment benefits	Share- based payments	Total
2019	\$	\$	\$	\$	\$

**Executive Directors**

S Kidston	380,000	36,100	19,094	-	435,194
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B Guo	380,000	36,100	28,684	-	444,784
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**Non-Executive  
Directors**

R Craven	140,000	13,300	-	-	153,300
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M Addison	296,764 <sup>2</sup>	30,840	-	-	327,604
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A du Mée	27,590	2,621	-	-	30,211
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Teresa Dyson	72,000	6,840	-	-	78,840
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Yongqing Yu	-	-	-	-	-
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<b>Sub-Total</b>	<b>1,296,354</b>	<b>125,801</b>	<b>47,778</b>	<b>-</b>	<b>1,469,933</b>
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**Chief Executive Officer**

James Harding	320,000	30,400	31,006	137,774	519,180
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**Chief Operating Officer**

A McGhie	330,000	31,350	1,691	23,047	386,088
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<b>Sub-Total</b>	<b>650,000</b>	<b>61,750</b>	<b>32,697</b>	<b>160,821</b>	<b>905,268</b>
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<b>Total</b>	<b>1,946,354</b>	<b>187,551</b>	<b>80,475</b>	<b>160,821</b>	<b>2,375,201</b>
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**Period of Service**

Michael Addison	15 July 2011 to current
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Simon Kidston	1 August 2013 to current
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Ben Guo	25 October 2013 to current
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Ralph Craven	1 July 2014 to 26 March 2015 and 29 May 2015 to current
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Alan du Mée	1 July 2014 to 26 March 2015 and 29 May 2015 to 5 November 2018
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Teresa Dyson	7 May 2018 to current
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Yongqing Yu	8 February 2016 to current
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**Key Management Personnel (KMP)'s Interests in the Company**

The shares and options held by the KMPs as at 30 June 2020 and at the date of this report are as follows:

<sup>2</sup> The fee paid to Mr Addison in the 2019 financial year comprised a director's fee of \$72,000 and consulting fees.

## Shares

Personnel	Balance as at 1 July 2019	Granted as remuneration	Received on exercise	Purchases	Shares Sold	Balance as at 30 June 2020
Michael Addison	28,500,000	-	-	-	4,000,000	24,500,000
Simon Kidston	20,881,931	-	-	62,500	2,500,000	18,444,431
Ben Guo	2,108,181	-	-	62,500	-	2,170,681
Ralph Craven	340,909	-	-	62,500	-	403,409
Teresa Dyson	68,862	-	-	62,500	-	131,362
Yongqing Yu	Nil	-	-	-	-	Nil

Personnel	Balance as at 1 July 2018	Granted as remuneration	Received on exercise	Purchases	Balance as at 30 June 2019
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
Teresa Dyson	Nil	-	-	68,862	68,862
Yongqing Yu	Nil	-	-	-	Nil

## Options

Personnel	Balance as at 1 July 2019	Granted as remuneration	Date of Grant during period	Fair value per option at grant date	Exercise price	Balance as at 30 June 2020
Michael Addison	4,000,000	3,000,000	10/09/2019	0.15	0.34	7,000,000
Simon Kidston	4,000,000	3,000,000	10/09/2019	0.15	0.34	7,000,000
Ben Guo	4,000,000	3,000,000	10/09/2019	0.15	0.34	7,000,000
Ralph Craven	2,000,000	4,000,000	10/09/2019	0.15	0.34	6,000,000
Teresa Dyson	-	1,500,000	10/09/2019	0.15	0.34	1,500,000
Yongqing Yu	-	-	-	-	-	-
Arran McGhie*	5,000,000	-	-	-	-	5,000,000
James Harding*	5,000,000	-	-	-	-	5,000,000

Personnel	Balance as at 1 July 2018	Expired	Balance as at 30 June 2019
Michael Addison	5,000,000	1,000,000	4,000,000
Simon Kidston	5,000,000	1,000,000	4,000,000
Ben Guo	5,000,000	1,000,000	4,000,000
Ralph Craven	5,000,000	3,000,000	2,000,000
Alan du Mée	2,000,000	2,000,000	-

Teresa Dyson	-	-	-
Arran McGhie*	5,000,000	-	5,000,000
James Harding*	5,000,000	-	5,000,000

\*Options issued to James Harding have various vesting conditions based exclusively on milestones, irrespective of when these milestones are achieved (see note 25)

There were 14,500,000 new Options issued to Directors during the 2020 financial year as approved by shareholders at the Company's Extraordinary General Meeting held on 10 September 2019.

The 5,000,000 options held by the Company's COO as at 30 June 2020 (and exercisable at \$0.25 each, lapsed unexercised subsequent to the end of the year on 06/08/2020.)

### 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.

In April 2020, James Harding received \$42,500 exertion payment for financial close on Jemalong Solar Project.

In FY20, \$11,971 super was also redirected to salary and wages subject to Board's approval.

### 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. On 06 August 2020, 128,333 options held by Arran McGhie expired.

In April 2020, Arran McGhie received \$40,000 exertion payment for financial close on Jemalong Solar Project.

In FY20, \$12,763 super was also redirected to salary and wages subject to Board's approval.

### Executive Services Agreements (Ben Guo and Simon Kidston)

From July 2017, Both Simon Kidston and Ben Guo received an increase in salary to \$340,000 as a result of a periodic remuneration review. 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.

In April 2020, both Simon Kidston and Ben Guo received \$40,000 exertion payment for financial close on Jemalong Solar Project.

In FY20, \$18,825 super was also redirected to salary and wages subject to Board's approval.

### 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.

In April 2020, Michael Addison received \$25,000 exertion payment for financial close on Jemalong Solar Project.

### 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
2 September 2016	2 September 2021	\$0.25	2,400,000
17 January 2017	17 January 2022	\$0.34	14,000,000
7 July 2017	17 January 2022	\$0.34	1,500,000
23 February 2018	13 February 2023	\$0.40	4,850,000
10 September 2019	10 September 2024	\$0.34	14,500,000
Total			42,250,000

### End of Remuneration Report

#### Loss per Share

The loss per share for Genex Power Limited for the year was 2.63 cents per share (FY19 1.78 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 2020 was \$10,534,250. The Directors of Genex have resolved not to recommend a dividend for the financial year ended 30 June 2020.

### 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:

	\$
Tax Compliance	40,000
Transactional Tax Services	127,900
Model Review Services for Debt Re-financing	72,100
	<u>240,000</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



Ben Guo  
Director

27 August 2020  
Sydney



**Building a better  
working world**

Ernst & Young Services Pty Limited  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

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

As lead auditor for the audit of the financial report of Genex Power Limited for the financial year ended 30 June 2020, 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.

  
Ernst & Young



Lynn Morrison  
Partner  
27 August 2020

## 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 is:

#### 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 is 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 26 August 2020. 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 2020**

	Notes	30 June 2020	30 June 2019
		\$	\$
<b>Revenue</b>			
Sale of electricity and environmental products and lease income		10,253,756	11,154,792
Other income		2,004,255	4,800,053
	5	<b>12,258,011</b>	<b>15,954,845</b>
<b>Expenses</b>			
Project site costs	6	(3,841,189)	(4,012,073)
Salary expenses	6	(3,062,687)	(2,590,800)
Share-based Payment		(2,270,073)	(391,840)
Administrative expenses		(1,301,982)	(1,363,547)
Compliance cost and regulatory fees		(239,831)	(145,494)
Project consulting costs		(674,646)	(2,779,110)
Legal fees		(80,053)	(50,149)
Travel and marketing		(199,845)	(262,738)
Depreciation	14	(8,006,499)	(6,369,366)
Net gain on financial instruments at fair value through profit/loss	20	1,177,822	1,229,163
<b>Total Expenses</b>		<b>(18,498,983)</b>	<b>(16,735,954)</b>
<b>Operating Loss</b>		<b>(6,240,972)</b>	<b>(781,109)</b>
Finance costs	6	(4,428,506)	(4,922,282)
Finance income	7	135,228	225,460
<b>Loss before tax</b>		<b>(10,534,250)</b>	<b>(5,477,931)</b>
Income tax expense	8	-	-
<b>Loss after income tax expense attributable to the owners of Genex Power Limited</b>		<b>(10,534,250)</b>	<b>(5,477,931)</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net gain / (loss) on cash flow hedges	18	(9,443,907)	(3,691,838)
<b>Total comprehensive loss for the year attributable to the owners of Genex Power Limited</b>		<b>(19,978,157)</b>	<b>(9,169,769)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	36	(2.63)	(1.78)
Diluted earnings per share	36	(2.63)	(1.78)

**Genex Power Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2020**

	Notes	30 June 2020	30 June 2019
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	65,487,915	3,462,806
Trade and other receivables	10	3,480,647	1,954,803
Prepayments	11	414,340	199,436
		<b>69,382,902</b>	<b>5,617,045</b>
<b>Non-Current Assets</b>			
Bond, Deposits and Bank Guarantee	12	4,717,388	4,608,679
Intangible Asset	13	-	5,795,377
Plant Property and Equipment	14	179,807,006	118,498,979
		<b>184,524,394</b>	<b>128,903,035</b>
<b>Total Assets</b>		<b>253,907,296</b>	<b>134,520,080</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	22,373,670	2,250,602
Short term interest accrued		1,007,835	247,542
Interest-bearing loans and borrowings	16	5,056,400	4,570,770
Convertible notes	19	1,536,446	-
Government grant	17	442,500	442,500
Provisions	23	370,404	203,473
Other current financial liabilities		127,098	-
Current lease liabilities	29	207,640	-
		<b>31,121,993</b>	<b>7,714,887</b>
<b>Non-Current Liabilities</b>			
Long term interest accrued		604,545	657,034
Interest-bearing loans and borrowings	22	177,240,388	94,353,392
Convertible notes	19	4,203,137	4,755,578
Government Grant	17	7,301,856	7,745,568
Other non-current financial liabilities	20	15,220,504	6,984,520
Non-current lease liabilities	29	2,953,924	-
Rehabilitation and restoration provision	23	3,820,200	3,820,200
Provisions		59,510	42,867
		<b>211,404,064</b>	<b>118,359,159</b>
<b>Total Liabilities</b>		<b>242,526,057</b>	<b>126,074,046</b>
<b>Net Assets</b>		<b>11,381,239</b>	<b>8,446,034</b>
<b>Equity</b>			
Share capital	24	62,542,338	41,899,049
Option reserves	24	4,448,542	2,178,469
Cash flow hedge reserve	18	(14,802,708)	(5,358,801)
Accumulated losses		(40,806,933)	(30,272,683)
<b>Total Equity</b>		<b>11,381,239</b>	<b>8,446,034</b>

**Genex Power Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2020**

Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>41,899,049</b>	<b>2,178,469</b>	<b>(5,358,801)</b>	<b>(30,272,683)</b>	<b>8,446,034</b>
Loss after income tax	-	-	-	(10,534,250)	(10,534,250)
Cash flow hedge reserve	-	-	(9,443,907)	-	(9,443,907)
<b>Total comprehensive loss for period</b>	<b>41,899,049</b>	<b>2,178,469</b>	<b>(14,802,708)</b>	<b>(40,806,933)</b>	<b>(11,532,123)</b>
Shares issued during the period	21,458,390	-	-	-	21,458,390
Transaction cost	(815,101)	-	-	-	(815,101)
Share-based payments	-	2,270,073	-	-	2,270,073
<b>Balance at 30 June 2020</b>	<b>62,542,338</b>	<b>4,448,542</b>	<b>(14,802,708)</b>	<b>(40,806,933)</b>	<b>11,381,239</b>

**Genex Power Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2019**

Note	\$	\$	\$	\$	\$
	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
<b>Balance at 1 July 2018</b>	<b>39,955,299</b>	<b>1,786,628</b>	<b>(1,666,963)</b>	<b>(24,794,752)</b>	<b>15,280,212</b>
Loss after income tax	-	-	-	(5,477,931)	(5,477,931)
Cash flow hedge reserve	-	-	(3,691,838)	-	(3,691,838)
<b>Total comprehensive loss for period</b>	<b>39,955,299</b>	<b>1,786,628</b>	<b>(5,358,801)</b>	<b>(30,272,683)</b>	<b>6,110,443</b>
Shares issued during the period	2,125,000	-	-	-	2,125,000
Transaction cost	(181,250)	-	-	-	(181,250)
Share-based payments (Note 26)	-	391,841	-	-	391,841
<b>Balance at 30 June 2019</b>	<b>41,899,049</b>	<b>2,178,469</b>	<b>(5,358,801)</b>	<b>(30,272,683)</b>	<b>8,446,034</b>

**Genex Power Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2020**

	Notes	30 June 20	30 June 19
		\$	\$
<b>Cashflow from Operating Activities</b>			
Receipt from customers		9,826,749	16,293,241
Payments to suppliers		(7,509,788)	(9,137,168)
Payments to employees		(3,068,635)	(2,373,916)
Interest received		135,228	225,460
Interest paid		(3,487,158)	(4,486,058)
<b>Net cash utilised by operating activities</b>	33	<b>(4,103,604)</b>	<b>521,559</b>
<b>Cashflow from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(37,883,308)	(6,437,332)
Purchase of intangible assets		-	(5,795,377)
Funds invested into a term deposit/bank guarantee		(108,710)	(109,882)
<b>Net cash used in investing activities</b>		<b>(37,992,018)</b>	<b>(12,342,591)</b>
<b>Cashflow from Financing Activities</b>			
Proceeds from issue of shares		21,458,390	2,125,000
Proceeds from issue of convertible notes		1,066,565	3,117,150
Transaction costs on issue of shares		(815,101)	(181,250)
Transaction costs on borrowings		(3,072,222)	-
Proceeds from borrowings		88,655,183	422,614
Repayment of borrowings		(3,118,384)	(1,194,025)
Lease repayment		(53,700)	-
<b>Net cash from financing activities</b>		<b>104,120,731</b>	<b>4,289,489</b>
<b>Net increase in cash and cash equivalents</b>		<b>62,025,109</b>	<b>(7,531,543)</b>
Cash and Cash equivalent at the beginning of the financial year		3,462,806	10,994,349
<b>Cash and Cash equivalents at the end of the financial year</b>	9	<b>65,487,915</b>	<b>3,462,806</b>

## 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. Please refer to new and amended standards and interpretations section below.

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

### New accounting standards not yet applicable

#### Effective 1 July 2020:

Conceptual Framework for Financial Reporting and related amendments

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities. The framework clarifies some important concepts, including objectives of financial reporting, qualitative characteristics of financial information, measurement, presentation and disclosures.

The changes to the Conceptual Framework may affect the application of AASB in situations where no standard applies to a particular transaction or event. This is unlikely to have a material impact on the consolidated entity.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendment is unlikely to have an impact on the consolidated entity.

Definition of a Business - Amendments to AASB 3 Business Combinations

The standard amends the definition of a business in AASB 3 Business Combinations (AASB 3). The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. As the amendments apply prospectively to transactions or other events that occur on or after the date of first application, there is no impact to the consolidated entity on transition.

Interest Rate Benchmark Reform - Amendments to AASB 9, AASB 139 and AASB 7

These amendments were issued in response to the effects of Interbank Offered Rates reform on financial reporting and provide mandatory temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

This amendment is unlikely to have an impact on the consolidated entity.

#### Effective 1 July 2023

Classification of Liabilities as Current or Non-Current - Amendments to AASB 101 Presentation of Financial Statements  
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. Although the consolidated entity has not fully assessed the impact of the amendments, it is unlikely to have a material impact on the consolidated entity.

### Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the consolidated entity 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:

- In August 2020, Genex undertook a capital raising via a share placement and Share Purchase Plan (SPP), the total amount raised in the placement was \$21.3 million with up to another \$7 million to be raised under the SPP. 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.

The consolidated financial statements present reclassified comparative information where required for consistency with the current year's presentation.

### 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 31.

### 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 2020 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' or the 'Group'.

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

#### **Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. 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 product* is recognised at the point in time when control of the asset is transferred to the buyer and the consolidated entity has the right to be compensated.

#### **Fair value measurement**

The consolidated entity measures financial instruments such as derivatives, and non-financial assets 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.

### **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 (Applicable for comparative information)**

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.

**Consolidated entity as a lessor**

Leases in which the consolidated entity does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policies for the current year as a result of implementation of AASB 16, leases are noted in the section below.

**Interest**

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

**Borrowing Cost**

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 borrowing costs are capitalized in the period in which they occur.

**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 24) 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:

Kidston Solar Project	20 to 30 years
Right of Use Asset	Amortised over the lease term
Furniture and fitting	Less than 5 years
Motor Vehicle	12 years

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. 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.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

**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. The fair value of the share options is estimated at the grant date using a binomial option pricing model taking into account the terms and conditions on which the share options were granted. Non-Market Performance condition are only considered in determining the number of instruments that will ultimately vest. Market performance conditions are accounted for as part of the award of the fair value of the option at grant date.

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**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **i) Financial assets**

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Group 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. Trade receivables do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

#### **Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

#### **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless

they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit

risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## **ii) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

## **Loans and borrowings**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

## **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## **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; and
- 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. 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 and amended standards and interpretations**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **AASB16 Adoption of Leases**

AASB 16 Leases became effective for the consolidated entity on 1 July 2019 and requires lessees to account for all leases under a single on-balance sheet model. The consolidated entity's operating lease portfolio is predominantly comprised of commercial offices and land leases.

#### Transition

The consolidated entity adopted AASB 16 using the modified retrospective approach. Under this approach, the cumulative effect of adopting the new standard was recognised as an adjustment to the opening balance of retained earnings on 1 July 2019. No restatement of comparative information is required. Consolidated Entity has taken advantage of recognition exemptions for leases that are less than 12 months and leases for which the underlying asset is of low value.

The lease liabilities recognised on transition were measured at the present value of the remaining lease payments, discounted using Consolidated Entity's incremental borrowing rate at 1 July 2019. The associated right-of-use (ROU) assets for major commercial offices and land leases were measured at an amount equal to the lease liability.

The consolidated entity has applied the following practical expedients on transition to AASB 16:

Use of a single discount rate for a portfolio of leases with reasonably similar characteristics;

Consolidated Entity has elected to not reassess whether a contract is or contains a lease at 1 July 2019. Instead, Consolidated Entity applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Exclusion of leases with a remaining lease term of less than 12 months from 1 July 2019; and Use of hindsight when determining the lease term for contracts containing optional periods.

The impact on the consolidated entity's financial statements at 1 July 2019 is summarised below:

As at 1 July 2019	Debit / (credit)
Right-of-use assets	3,107,409
Lease liabilities	(3,107,409)

There is no impact on the transition to AASB 16 Leases on retained earnings at 1 July 2019 and the Consolidated Entity will no longer be recognizing operating rent expenses, instead, interest expense on unwinding of lease liability and amortisation of right of use asset will be recognized in the statement of comprehensive income. The net impact on statement of comprehensive income, as a result of application of AASB16, is a net decrease in profits by \$154,860 for the year ended 30 June 2020.

Incremental borrowing rate applied on 1 July 2019 was 5%.

Accounting policies applicable for the year ended 30 June 2020 are noted below.

### Right-of-use assets

The consolidated entity recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

### Lease Liabilities

At the commencement date of the lease, Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Group has the option, under some of its leases to lease the assets for additional terms of three to five years. Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

### **Note 2. Significant 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.

#### Impairment of non-financial assets

The consolidated entity is required to evaluate the assessment of impairment indicators (internal and external) and made judgements in assessing the factors that are required to be evaluated as part of the impairment indicators assessment. That included reviewing significant changes with an adverse effect on the consolidated entity. Performance of non-current assets impacts of environmental, technological, market, economic or legal environment changes in which the consolidated entity operates. This included the assessments of the impact of COVID-19 on the consolidated entity.

#### 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 22 for further disclosures.

### Note 3. Operating Segment

Management has determined that the consolidated entity has one reportable segment: the development and operation of Renewable Energy 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%. Whilst this gearing ratio was temporarily breached, the capital raising completed in August 2020 has reduced the gearing ratio to below 90% again. The consolidated entity includes within net debt, interest bearing loans and borrowings, convertible notes, trade and other payables, less cash and short-term deposits.

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Interest-bearing loans and borrowings - current	5,056,400	4,570,770
Interest-bearing loans and borrowings – non-current	177,240,388	94,353,392
Convertible note	5,739,583	4,755,577
Short-term interest accrued	1,007,835	247,542
Long-term interest accrued	604,545	674,374
Trade and other payables	22,373,670	2,212,352
Less: cash and short-term deposits	(65,487,915)	(3,462,806)
<b>Net debt</b>	<b>146,534,506</b>	<b>103,351,202</b>
Equity	11,381,239	8,446,033
<b>Total capital</b>	<b>11,381,239</b>	<b>8,446,033</b>
<b>Capital and net debt</b>	<b>157,915,745</b>	<b>111,797,235</b>
Gearing ratio	<b>92.8%</b>	<b>92%</b>

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.

**Note 5. Revenue**

	Note	Consolidated	
		30 June 2020	30 June 2019
		\$	\$
Lease Revenue		10,253,756	10,277,974
Electricity Sales prior to Solar Support Deed		-	196,076
LGC Sales prior to Solar Support Deed		-	680,742
<b>Sales of electricity and environmental products and lease income</b>		<b>10,253,756</b>	<b>11,154,792</b>
Government Grant	17	443,712	442,500
R&D Refund		1,234,815	1,904,227
Others		209,983	30,885
Avoided TUOS		99,138	45,471
Liquidated Damages		-	2,360,000
Fuel Tax Credit		16,607	16,970
<b>Other income</b>		<b>2,004,255</b>	<b>4,800,053</b>
<b>Total revenue</b>		<b>12,258,011</b>	<b>15,954,845</b>

Lease revenue related to revenue earned from the KS1 under the Queensland government Solar150 Price Support Deed

Liquidated damages refer to settlement payment received from UGL to address issues which arose during the construction of KS1. \$2.36m was received from UGL during the financial year ended 30 June 2019.

**Note 6. Expenses**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
		\$	\$
Loss before income tax includes the following specific expenses:			
<i>Finance costs</i>			
Commitment Fee - CEFC		47,374	-
Interest on Senior bank loan		3,691,644	4,532,835
Finance charges		86,012	72,866
Hedge ineffectiveness (due to overhedging)	18	14,437	-
*Hedge ineffectiveness at novation date		14,620	-
Interest on convertible notes and lease		574,419	316,582
		<u>4,428,506</u>	<u>4,922,283</u>
<i>Project site costs</i>			
Research and development expenditure for Kidston Pumped Hydro Project		<u>3,841,189</u>	<u>4,012,073</u>
<i>Employee benefits</i>			
Defined contribution superannuation expense		190,732	198,554
Share-based payments expense	25	2,270,073	391,840
Wages and salaries		2,785,720	2,187,634
JobKeeper subsidy**		(120,000)	-
Payroll tax		79,477	58,778
Workers' Compensation		6,522	7,833
Fringe Benefit Tax		11,624	11,624
Employee entitlements		108,612	126,377
		<u>5,332,760</u>	<u>2,982,640</u>

\*This represents the amortisation of the hedge ineffectiveness resulted from new hedge arrangement at novation date (17 December 2019). Please refer to note 18 for further details.

\*\*Government JobKeeper subsidy received over the period April – June 2020

**Note 7: Finance income**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Interest revenue	<u>135,228</u>	<u>225,460</u>
	<b>135,228</b>	<b>225,460</b>

**Note 8: Income tax expense**

	<b>Consolidated</b>	
	<b>June 2020</b>	<b>June 2019</b>
	\$	\$
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(10,534,250)	(5,477,931)
Tax at the statutory tax rate of 27.5%	(2,896,919)	(1,506,431)
Permanent differences	-	(444,566)
Tax loss not recognised	2,896,919	1,950,997
Income tax expense	-	-

The accumulated tax loss (tax effected) that arose in Australia as at 30 June 2020 is \$12,473,117 (30 June 2019: \$9,576,198). These are available indefinitely for offsetting against future taxable profits of the companies in which the loss arose. Additionally, there are \$39,249,668 (30 June 2020: \$39,249,668) of transferred tax losses (tax effected) as of 30 June 2020 that can be utilised subject to the available fraction.

No tax losses have been recognised as at 30 June 2020.

**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 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**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Cash at bank	65,487,915	3,462,806
Cash and cash equivalents	<b>65,487,915</b>	<b>3,462,806</b>

Cash at banks earn interest at floating rates based on daily bank deposit rates.

**Note 10. Trade and other receivables**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Trade debtors	3,360,647	1,954,803
Government subsidies receivable	120,000	-
Trade and other receivables	<b>3,480,647</b>	<b>1,954,803</b>

Trade receivables are generally due for settlement within 30 days. As at 30 June 2020 and 30 June 2019, trade receivables are neither past due nor impaired

**Note 11. Prepayments**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Insurance and prepayments	343,746	142,640
Environmental Authority, ML Fees and Land Rent	54,213	34,088
Subscriptions	16,381	12,208
Consulting	-	10,500
	<b>414,340</b>	<b>199,436</b>

**Note 12. Bond, Deposits and Bank Guarantee**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Ergon Bond (Removal and Security Defects)	231,818	231,818
Construction Camp Bond	83,034	82,500
K2 Wind Project Land Bond	12,000	12,000
Electricity Bond	6,011	18,270
Ergon Connection Bond	42,000	42,000
Sydney Office Bond	112,246	112,246
AEMO Bond	10,000	10,000
Sydney Office Deposit	18,469	18,469
Speedcast Bond	5,200	5,200
Site Accommodation Bond	117,000	117,000
Brisbane Office Bond	4,200	4,200
Environmental Bond	4,075,410	3,954,976
	<b>4,717,388</b>	<b>4,608,679</b>

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 13: Intangible Assets

#### Development Approval

	\$
Cost	
<b>At 30 June 2019</b>	5,795,377
Transfer to Jemalong PP&E	(5,795,377)
<b>At 30 June 2020</b>	-
Amortisation	
<b>At 30 June 2019</b>	-
Additions	-
<b>At 30 June 2020</b>	-
Net book value	
At 30 June 2019	5,795,377
<b>At 30 June 2020</b>	-

The intangible assets have been transferred to Plant, Property and Equipment because it was expenditure on Jemalong project.

### Note 14. Property, Plant and Equipment

	30 June 2020	30 June 2019
	\$	\$
Land and Site Office	380,935	380,935
Motor Vehicle	23,210	-
Kidston Solar Project	103,262,272	112,283,832
Kidston Hydro Project	4,753,000	1,891,556
Jemalong Solar Project	64,445,487	-
Pre-development assets	3,918,777	3,918,777
Right Of Use Asset	3,006,701	-
Furniture and Fittings	16,624	23,879
	<b>179,807,006</b>	<b>118,498,979</b>

	Land and Site Office	Motor Vehicle	Kidston Hydro Project	Kidston Solar Project	Jemalong Solar Project	Pre-development Asset	ROU	Furniture and fitting	Total
Cost									
At 30 June 2018	<b>175,000</b>	-	-	<b>117,313,010</b>	-	<b>3,918,777</b>	-	<b>43,234</b>	<b>121,450,021</b>
Additions:	205,935	-	1,891,556	4,338,085	-	-	-	1,756	6,437,332
Disposals	-	-	-	-	-	-	-	-	-
At 30 June 2019	380,935	-	1,891,556	121,651,095	-	3,918,777	-	44,990	127,887,353
Additions:	-	25,320	2,861,444	-	58,650,110	-	3,279,688	4,407	64,820,969
Refunds against previously capitalised cost*:	-	-	-	(1,301,820)	-	-	-	-	(1,301,820)
Transfers from intangibles					5,795,377				5,795,377
At 30 June 2020	<b>380,935</b>	<b>25,320</b>	<b>4,753,000</b>	<b>120,349,275</b>	<b>64,445,487</b>	<b>3,918,777</b>	<b>3,279,688</b>	<b>49,398</b>	<b>197,201,879</b>
<i>Depreciation or impairment</i>									
At 30 June 2018	-	-	-	<b>(3,008,276)</b>	-	-	-	<b>(10,732)</b>	<b>(3,019,008)</b>
Depreciation charge for the year	-	-	-	(6,358,987)	-	-	-	(10,379)	(6,369,366)
At 30 June 2019	-	-	-	<b>(9,367,263)</b>	-	-	-	<b>(21,110)</b>	<b>(9,388,373)</b>
Depreciation charge for the year	-	(2,110)	-	(7,719,740)	-	-	(272,987)	(11,663)	(8,006,500)
At 30 June 2020-	-	<b>(2,110)</b>	-	<b>(17,087,003)</b>	-	-	<b>(272,987)</b>	<b>(32,774)</b>	<b>(17,394,873)</b>
Net book value 30 June 2020	<b>380,935</b>	<b>23,210</b>	<b>4,753,000</b>	<b>103,262,272</b>	<b>64,445,487</b>	<b>3,918,777</b>	<b>3,006,701</b>	<b>16,624</b>	<b>179,807,006</b>
Net book value 30 June 2019	<b>380,935</b>	-	<b>1,891,556</b>	<b>112,283,832</b>	-	<b>3,918,777</b>	-	<b>23,880</b>	<b>118,498,980</b>

**Capitalised borrowing costs**

The carrying amount of the Kidston Solar Farm at 30 June 2020 was \$103,262,272 (30 June 2019: \$112,283,832). The Kidston Solar Farm and Jemalong Solar Project are financed by a \$175 million senior debt facility with third party banks. Interest on the Jemalong construction loan facility is to be capitalised until the construction of the Jemalong project is completed. The amount of interest costs capitalised during the year ended 30 June 2020 was \$161,530 using a borrowing rate of 1.75% (30 June 2019: \$0).

\*During the year the Group has received refund from vendor for being overcharged for the previously capitalised cost and recognised as an adjustment to carrying amounts.

**Note 15. Trade and other payables**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<b>Current</b>		
Trade creditors and accruals	22,373,670	2,250,602
	<b><u>22,373,670</u></b>	<b><u>2,250,602</u></b>

The major increase represents EPC payment for Jemalong Solar Project which has been capitalized in PPE.

**Note 16. Interest-bearing loans and borrowings**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
100m Senior Bank Debt	-	4,570,770
175m Senior Bank Debt	5,056,400	-
	<b><u>5,056,400</u></b>	<b><u>4,570,770</u></b>

The Senior Bank Debt represents the portion of the \$175m Senior Bank Loan which must be repaid within 12 months.

At 30 June 2020, the Group had available \$6,969,169 (30 June 2019: \$0) of undrawn committed borrowing facilities.

**Note 17. Government Grant**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
ARENA Grant (Current)	442,500	442,500
ARENA Grant (Non-Current)	7,301,856	7,745,568
	<b><u>7,744,356</u></b>	<b><u>8,188,068</u></b>

Genex received an ARENA (Australian Renewable Energy Agency) grant of \$8.85 million in FY17 towards the funding of KS1. The Grant is recognised as revenue over the life of the project (20 years) on a straight line basis

**Note 18. Cash flow hedge**

At 30 June 2020, the Group had a number of interest rate swap agreements in place with a total notional amount of \$168m (2019: \$52m). The fixed rate the Group and the floating rate the Group pays is shown in the table below receives an average fixed rate of interest of 8.25% and pays interest at a variable rate equal to 3 months BBSW + 0.05% on the notional amount.

The swap is being used to hedge the exposure to changes in the fair value of its fixed rate senior loan facility. The senior loan is to refinance the previous loan for KS1 as well as to fund the construction of JSF. The senior loan facility is amortised over a notional period of approximately 20 years. Interest rate exposure under the senior loan facility is 100% hedged under the interest rate swap agreement for the first 10 years.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

The table below represents the key terms and conditions of the three swaps as at 30 June 2020 and one swap as at 30 June 2019

	<b>Counter party</b>	<b>CCY</b>	<b>Notional</b>	<b>Effective date</b>	<b>Maturity date</b>	<b>Leg</b>	<b>Rate (in %)</b>	<b>Margin (in bps)</b>	<b>Frequency</b>	<b>Day Count</b>	<b>Cash flow derivative liability</b>
<b>As at 30 June 2020</b>											
Tranche A – Term IRS	NOR, DZB and WBC	AUD	\$48,505,765	17 Dec 2019	17 Jan 2030	Receive Float Pay fix	1.5525	5	Quarterly	Act / 365 Fixed	(6,659,093)
Tranche A – Novation IRS	NOR and DZB	AUD	\$51,197,443	1 Oct 2019	1 Jan 2027	Receive Float Pay fix	3.2350	5	Quarterly	Act / 365 Fixed	(7,869,868)
Tranche B – Construction IRS	WBC	AUD	\$2,796,368	17 Jan 2020	17 Mar 2021	Receive Float Pay fix	0.72		Quarterly	Act / 365 Fixed	(288,184)
											<b>(14,817,145)</b>

**As at 30 June 2019**

Novation Swap	SGCIB	AUD	\$52,390,804	1 Mar 2017	17 December 2019	Receive Float Pay fix	3.065	5	Quarterly	Act / 365 Fixed	5,358,801
											<b>5,358,801</b>

On December 17, 2019 GNX has novated the interest rate swap with Societe Generale designated as the hedging instrument in the old hedging relationship, into two interest rate swaps with Nord Bank and DZ Bank. No cash payment was involved as part of this transaction. The \$6.6m MTM on the old swap as at novation date was embedded in the fixed leg of the new interest rate swaps as a financing element. The novation is considered as termination of the SGCIB thus the discontinuation of the old hedging relationship. As there was no cash settlement involved in the termination of the swap as at 17 December 2019 with SGCIB, which at this date had an out of the money balance of \$6.6m. As explained in previous sections, this amount was embedded in the fixed leg of the 2 interest rate swaps with Nord and DZ Bank (replacing the old swap with SG). Therefore, there is no impact in balance sheet and profit and loss as at novation date on 17 December 2019. The new arrangement resulted in ineffective hedge of \$14,620 in the current period.

The effect of the cash flow hedge in the statement of profit and loss and other comprehensive income is

	<b>Total hedging gain/loss recognized in OCI</b>	<b>Ineffectiveness recognized in profit and loss</b>	<b>Line item in the statement of profit and loss</b>	<b>Amount reclassified from OCI to profit or loss</b>
Tranche A – Term IRS	\$7,869,868	\$5,636	Finance cost	\$5,636
Tranche A – Novation IRS	\$6,659,093	\$8,801	Finance cost	\$8,801
Tranche B – Construction IRS	\$288,184	Nil	Finance cost	
	\$14,817,145	\$(14,437)		\$(14,437)

The ineffectiveness recognised in the statement of profit or loss was \$14,437 and is to due mismatch in timing of the hedge profile and the actual drawdown profile for the senior loan in relation to the construction of JSF. The Value of the Cash Flow Hedge Reserve will be equal to the total hedging gain or loss recognised in OCI, adjusted for ineffectiveness recognised in the profit and loss. At 30 June 2020, this is \$14,802,708.

For FY19, there is no hedge ineffectiveness recognized in the statement of profit and loss.

**Note 19. ARENA Convertible Note**

	<b>30 June</b>	<b>30 June 2019</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Convertible note – Current	1,536,446	-
Convertible note – Non-current	4,203,137	4,755,578
	<b><u>5,739,583</u></b>	<b><u>4,755,578</u></b>

On 18 December 2015, Genex entered into a convertible note funding agreement with ARENA for up to \$4,000,000 to fund the feasibility study of K2-Hydro. As at 30 June 2020, \$3,996,211 has been drawn down.

On 16 November 2017, Genex entered into a further convertible note funding agreement with ARENA for an amount of up to a further \$4,500,000 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 2020, \$4,058,459 has been drawn down.

The Convertible note is treated as a host financial liability with two embedded derivatives. The first Embedded Derivative is for conversion feature and the second is for the early redemption feature. Please refer Note 20 and 21 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; and
- In the fifth year, if the Notes are not converted into shares or early redeemed, Genex will have to repay the notes

**December 2015 Agreement**

Maturity dates of the convertible notes are as follows:

	<b>Maturity date</b>	<b>\$</b>
		<b>Amount</b>
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
21	19 November 2023	471,312
		<hr/>
		3,996,211

#### 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
4	19 November 2023	169,033
5	19 November 2023	202,583
6	19 November 2023	214,945
7	19 November 2023	457,963
8	20 June 2024	185,466
9	20 June 2024	155,150
10	20 June 2024	139,659
11	20 June 2024	253,466
12	20 June 2024	224,595
13	20 June 2024	288,306
14	20 June 2024	264,060
15	20 June 2024	90,612
16	31 July 2024	356,194
17	28 August 2024	393,783
18	30 October 2024	63,534
19	2 December 2024	163,053
20	6 December 2024	90,001
		<hr/>
		4,058,459

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

	30 June 2020	30 June 2019
	\$	\$
<b>Financial assets at amortised cost</b>		
Trade and other receivables	3,480,647	1,954,803
Cash and cash equivalents	65,487,915	3,462,806
<b>Total financial assets</b>	<b>68,968,562</b>	<b>5,417,609</b>
<b>Total current</b>	<b>68,968,562</b>	<b>5,417,609</b>
Bank guarantee/Bonds	4,717,388	4,608,679
<b>Total non-current</b>	<b>4,717,388</b>	<b>4,608,679</b>

**Financial liabilities: interest-bearing loans and borrowings**

	Weighted average interest rate	Effective interest rate	Maturity	30 June 2020	30 June 2019
	%	%	\$	\$	\$
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables	N/A		N/A	22,373,670	2,250,602
<i>Interest-bearing – fixed rate</i>					
\$175m Senior Bank Loan	2.03%	2.24%	) February 2023 17 December 2025	165,139,533	98,924,162
\$17m CEFC Corporate Loan	7.07%	7.47%	*30 September 2020	17,157,256	-
Convertible notes	0%	6.26%		5,739,583	4,755,578
<b>Total non-derivatives</b>				<b>210,410,042</b>	<b>105,930,342</b>

\*Maturity date is conditional on the financial close of K2-Hydro which is expected to be on 30 September 2020

There have been no amounts pledged as collateral.

**Other financial liabilities**

	30 June 2020	30 June 2019
	\$	\$
<b>Derivatives not designated as hedging instruments</b>		
Embedded derivatives – convertible note*	530,457	1,625,719
<b>Derivatives designated as hedging instruments</b>		
Interest rate swaps	14,817,145	5,358,801

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

Trade and other payables	22,373,670	2,250,602
<b>Total financial liabilities</b>	<b>37,721,272</b>	<b>9,235,122</b>
<b>Total current</b>	<b>22,500,768</b>	<b>2,250,602</b>

Derivatives designated as hedging instruments include the change in fair value of interest rate swaps entered into during 2019

Embedded derivatives for convertible notes represent conversion rights which are accounted for as a derivative with changes in value recognised through profit and loss. During the year net gain of \$1,177,822 (2019: 1,229,163) was recognised based on fair value change.

**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:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Cash and cash equivalents	65,487,915	3,462,806
Trade and other receivables	3,480,647	1,954,803
Bank guarantee	4,717,388	4,608,679
	<b>73,685,950</b>	<b>10,026,288</b>

**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 22 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 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		\$	\$	\$	\$	\$
Senior Bank Debt including establishment fee		917,867	3,621,579	170,007,436		174,546,882
CEFC Loan				3,118,046	15,452,814	18,570,860
Convertible Notes			1,536,446	4,203,137		5,739,583
Interest		800,969	3,748,605*	16,585,017	7,778,212	28,912,803
Interest Rate SWAP					14,817,145	14,817,145
Trade and other payables		22,373,670				22,373,670
		<b>24,092,506</b>	<b>13,109,767</b>	<b>189,710,499</b>	<b>38,048,171</b>	<b>264,960,943</b>

\*Includes interest of \$1,102,967 on convertible notes.

Year ended 30 June 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		\$	\$	\$	\$	\$
Senior Bank Debt		1,235,243	3,335,527	94,353,392		98,924,162
Convertible Notes				4,755,578		4,755,578
Interest		1,184,445	3,451,428	17,633,379	26,519,962	48,789,214
Interest Rate SWAP					5,358,801	5,358,801
Trade and other payables		2,250,602				2,250,602
		<b>4,670,290</b>	<b>6,786,955</b>	<b>116,742,349</b>	<b>31,878,763</b>	<b>160,078,357</b>

**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 2020:**

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)
<b>Liabilities measured at fair value</b>				
<b>Derivative financial liabilities</b>				

Interest rate swaps	30 June 2020	14,817,145	-	14,817,145	-
Embedded derivatives	30 June 2020	530,457	-	530,457	-

#### Fair value measurement hierarchy for liabilities as at 30 June 2019:

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)	
<b>Liabilities measured at fair value</b>					
<b>Derivative financial liabilities</b>					
Interest rate swaps	30 June 2019	5,358,801	-	5,358,801	-
Embedded derivatives	30 June 2019	1,625,719	-	1,625,719	-

The consolidated entity enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps 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 2020, the marked-to-market value of derivative positions is net of a debit 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 2020	30 June 2019
	\$	\$
Senior bank debt	160,083,132	94,353,392
CEFC Corporate Loan	17,157,256	-
	<b>177,240,388</b>	<b>94,353,392</b>

Genex Power has a senior bank facility of \$175 million with Westpac, DZ Bank AG, Nord and \$17m with the Clean Energy Finance Corporation (CEFC).

Key terms of the senior bank debt:

- Interest rate for Tranche A – base rate (BBSY) + 1.75%
- Interest rate for Tranche B – base rate (BBSY) + 1.65%
- Tranche A and Tranche B will be repaid by 17 December 2024
- Interest rate for CEFC – 6 Year ask yield +6% and will be repaid by 17 December 2025

**Note 23. Rehabilitation and restoration provisions/Provisions**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Other Provisions	15,889	15,889
Rehabilitation and provisions	3,804,311	3,804,311
	<u>3,820,200</u>	<u>3,820,200</u>
FBT Provision	2,906	2,906
Fuel Tax Credit	(4,490)	-
PAYG Provision	79,452	-
Annual Leave Provision	292,536	200,567
	<u>370,404</u>	<u>203,473</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**

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	Shares	Shares	\$	\$
Ordinary shares issued and fully paid	<u>401,841,355</u>	<u>312,431,514</u>	<u>62,542,338</u>	<u>41,899,049</u>

Movements in ordinary share capital

<b>Details</b>	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b>	<b>\$</b>
<b>Balance</b>	<b>30 June 2018</b>	<b>303,931,514</b>		<b>39,955,299</b>
Equity Raising	2 February 2019	8,500,000	\$0.25	2,125,000
Equity Raising Fee	13 February 2019	-	-	(106,250)
Equity Raising Fee	28 June 2019	-	-	(75,000)
Movement for the year		8,500,000		1,943,750
<b>Balance</b>	<b>30 June 2019</b>	<b>312,431,514</b>		<b>41,899,049</b>
Equity Raising	3 July 2019	67,482,878	\$0.24	16,195,891
Equity Raising	26 July 2019	21,926,963	\$0.24	5,262,500
Equity Raising Fee	2 July 2019			(815,101)
	<b>30 June 2020</b>	<b>401,841,355</b>		<b>62,542,339</b>

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 24 for further details.

	<b>Share-based payments \$</b>
<b>As 30 June 2018</b>	<b>1,786,629</b>
Share-based payments expense during the year	391,840
<b>As 30 June 2019</b>	<b>2,178,469</b>
Share-based payments expense during the year	2,270,073
<b>As 30 June 2020</b>	<b>4,448,542</b>

**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.

Options at the start of the period (01/07/2019)	27,750,000
Granted during the year	14,500,000
Forfeited during the year	-
Exercised during the year (Loyalty Options)	-
Expired during the year	-
Outstanding at the end of the year	42,250,000
Vested and exercisable at the end of the year (30/06/2020)	18,583,166

Options at the start of the period (01/07/2018)	36,250,000
---	------------

Granted during the year	-
Forfeited during the year	-
Exercised during the year (Loyalty Options)	-
Expired during the year	(8,500,000)
Outstanding at the end of the year	27,750,000
Vested and exercisable at the end of the year (30/06/2019)	17,966,666

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

#### 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"> <li>• Financial close of the Kidston Solar Phase One 50MW project;</li> <li>• Financial close of the Kidston Pumped Storage Hydro project;</li> <li>• Successful completion of a feasibility study for another project.</li> </ul> If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2020, 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

#### 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

### 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 vested on 1 January 2019.
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 3 milestones: <ul style="list-style-type: none"> <li>• Financial close of the Kidston Stage 2 Projects</li> <li>• Successful completion of a bankable feasibility study for another project of not less than 30MW.</li> </ul> If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2019, none of the options have vested. As at 30 June 2020, 1,616,500 options have been vested.
Issue date	23 February 2018
Expiry date	13 February 2023
Option exercise period	At any time from date of vesting
Other conditions	None

### Directors Options

Number	14,500,000
Value per option	\$0.15
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	10 September 2019
Expiry date	10 September 2024
Option exercise period	At any time from date of vesting
Other conditions	None

## Note 25. Share-based payments

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

	30 June 2020	30 June 2019
	\$	\$
Expense arising from equity-settled share-based payment transactions	2,270,073	391,840
<b>Total expense arising from share-based payment transactions</b>	<b>2,270,073</b>	<b>391,840</b>

There were no cancellations or modifications to the share-based payment awards for the year ended 30 June 2020 and 30 June 2019.

### 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:

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
<b>Outstanding at 1 July</b>	<b>27,750,000</b>	<b>0.33</b>	<b>36,250,000</b>	0.31
Granted during the year	14,500,000	0.34	-	-
Expired during the year	-	-	(8,500,000)	<b>0.25</b>
<b>Outstanding at 30 June</b>	<b>42,250,000</b>	<b>0.33</b>	<b>27,750,000</b>	0.33
<b>Exercisable at 30 June</b>	<b>18,583,166</b>	<b>0.33</b>	<b>17,966,666</b>	0.33

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), \$14,193 has been recognised as expenses in FY19 for this grant. \$95,073 has been recognized as expenses in FY20 for this grant.

On 17 January 2017, the board of directors authorised (following the approval of shareholders), the issue of 14,000,000 share options in the consolidated entity to four of the Company's directors, \$1,191,857 has been recognised as expenses in FY17 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), \$51,113 has been recognised as expenses in FY19 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, \$230,526 has been recognised as expenses in FY19 for this grant.

On 10 September 2019, the board of directors authorised (following the approval of shareholders), the issue of 14,500,000 share options in the consolidated entity to five of the Company's directors, \$2,175,000 has been recognised as expenses in FY20 for this grant. The details are as below:

Weighted average fair value at the measurement date	0.34
Dividend yield (%)	Nil
Expected volatility (%)	40
Risk-free interest rate (%)	0.84
Expected life of share option/SARs (years)	5
Weighted average share price (\$)	0.25
Model used	Black-Scholes

**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:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Short-term employee benefits	1,904,572	1,946,354
Superannuation	111,135	187,551
Other employment benefits	102,936	80,475
Share-based payments	2,270,073	160,821
	<u>4,388,716</u>	<u>2,375,201</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

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<b>Fees to Ernst &amp; Young (Australia)</b>		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities.	194,318	194,670
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services:		
- Tax compliance	40,000	47,500
- Model Review Services for debt refinancing	72,100	61,200
- Transactional Tax Services	127,900	71,000
<b>Total auditor's remuneration</b>	<u><b>434,318</b></u>	<u><b>374,370</b></u>

**Note 28. Commitments and contingencies****Capital commitments**

At 30 June 2020, the consolidated entity has committed capital of \$59,442,116. This is related to Jemalong Solar Project and it will be completed by April 2021.

**Note 29. Lease Liability**

Reconciliation between the rental obligation on 1 July 2019 and operating lease commitments presented under AASB 16 as of 30 June 2019

Operating lease commitments as at 30 June 2019	962,595
Weighted average incremental borrowing rate as at 1 July 2019	5%
Discounted operating lease commitments including extension option as at 1 July 2019	797,575
Lease payments relating to newly identified leases based on AASB16 as at 1 July 2019	2,309,834
Lease obligation as of 1 Jul 2019	3,107,409

**Movement**

Opening balances on AASB 16 adoption	3,107,409
Interest	128,487
Repayment	(246,614)
Lease modification	172,282
Carrying value at 30 June 2020	3,161,564

Current lease liability	207,640
Non-current lease liability	2,953,924
At 30 June 2020	3,161,564

**Note 30. Related party transactions****Controlled entities**

A list of controlled entities is provided in Note 32 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 26 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 Notes 25 and 26 above.

**Note 31. 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**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Loss after income tax	20,676,544	23,237,476
Total comprehensive loss	<u>20,676,544</u>	<u>23,237,476</u>

**Statement of financial position**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Total current assets	286,098	1,362,109
Total assets	<u>92,564,488</u>	<u>56,832,309</u>
Total current liabilities	38,860,993	1,969,961
Total liabilities	<u>50,160,998</u>	<u>48,965,307</u>
Equity		
Issued capital	62,542,338	41,899,049
Equity Reserve		
Option reserves	4,448,542	2,178,468
Accumulated losses	(24,587,389)	(36,210,515)
Total equity	<u>42,403,491</u>	<u>7,867,002</u>

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

**Note 32. 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**

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

## Subsidiaries

Name	Principal place of business / Country of incorporation	30 June 2020 %	30 June 2019 %
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%
Jemalong PV Holdings Pty Limited	Australia	100.00%	100.00%
Jemalong PV Asset Pty Ltd	Australia	100.00%	100.00%
Jemalong Networks Pty Limited	Australia	100.00%	100.00%
Genex (Kidston Hydro) Pty Limited	Australia	100.00%	100.00%
Kidston Hydro Hold Co Pty Limited	Australia	100.00%	100.00%
Kidston Hydro Project Co Pty Ltd	Australia	100.00%	100.00%
Genex (Storage) Pty Ltd	Australia	100.00%	100.00%
Como Energy (Yabulu) Pty Ltd	Australia	100.00%	100.00%
Como Energy (Bouldercombe) Pty Ltd	Australia	100.00%	100.00%

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

### Note 33. Reconciliation of profit after income tax to net cash from operating activities

Loss before tax	(10,534,250)	(5,477,931)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	8,006,499	6,369,366
Share-based payment expense	2,270,073	391,841
Movements in provisions, pensions	183,574	(313,216)
Net loss on financial instruments at fair value through profit or loss	(1,177,822)	(1,229,163)
Finance income	(135,228)	(225,460)
Finance costs	4,428,506	4,922,282
Working capital adjustments:		
Decrease/(Increase) in trade and other receivables inventories and prepayments	(1,525,844)	(430,966)
Increase/(Decrease) in trade and other payables	(2,267,182)	775,404
	(751,674)	4,782,157
Interest received	135,228	225,460
Interest paid	(3,487,158)	(4,486,058)
	(4,103,604)	521,559

**Note 34. Changes in liabilities arising from financing activities**

	1 July 2019	Non-Cash Loan extinguishm ent	Proceeds from borrowing	Repayment on borrowing	Establishment Fee	Reclassification of Loan	Non-cash adjustment due to Effective Interest Rate	30 June 2020
<b>Current</b>								
100m Senior Bank Loan	4,570,770		(1,905,503)	(2,665,267)				-
175m Senior Bank Loan			3,852,362	(453,118)		1,140,202	516,954	5,056,400
<b>Non-current</b>								
CEFC Corporate Loan			16,883,246		(399,849)		651,124	17,134,521
100m Senior Bank Loan	94,353,392	(94,353,392)						-
175m Senior Bank Loan		94,353,392	69,825,078		(2,625,000)	(1,140,202)	(307,401)	160,105,867
	<b>98,924,162</b>	<b>-</b>	<b>88,655,183</b>	<b>(3,118,385)</b>	<b>(3,024,849)</b>	<b>-</b>	<b>860,677</b>	<b>182,296,788</b>

**Note 35. Events after the reporting year**

In August 2020 Genex undertook a capital raising via a share placement and Share Purchase Plan (**SPP**), the total amount raised was \$28.276 million before costs. The new shares under the placement went to existing and new sophisticated and institutional shareholders and the shares under the SPP were issued to existing shareholders only.

Subsequent to 30 June 2020, the Group signed a share subscription agreement with Electric Power Development Co Ltd (J-Power) for the development of the K2-Hydro project. This will be presented for shareholders' approval in the extra ordinary general meeting in September 2020.

The Company received a revised Offer to Connect from Powerlink. The Offer is to Connect includes the construction of the Transmission Line (to connect K2-Hydro to the Queensland grid network at Mount Fox) and contains updated pricing with validity to 30 September 2020. In addition, Genex has secured the extension of its Generator Performance Standards approval by AEMO to 30 September 2020, to align with the validity of the Offer to Connect.

Apart of the matters outlined above, there have been no other material events or circumstances which have arisen since 30 June 2020 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 36. Earnings per share**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Net loss for the year	\$10,534,250	\$5,477,931
Weighted average number of ordinary shares used in calculating basic earnings per share	400,214,697	307,121,925
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	400,214,697	307,121,925
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.63)	(1.78)
Diluted earnings per share	(2.63)	(1.78)

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

\$5,739,583 ARENA convertible notes and 18,583,166 share options have not been taken into account of in the diluted earnings per share calculation since they are 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.

### Note 37. Impact of COVID-19

COVID-19 has had a dramatic impact on Australian society. In the electricity sector there has been a significant decline in consumer demand as well as changed the pattern of electricity usage throughout the day. This has generally translated into lower wholesale electricity prices across all the states.

Notwithstanding this, Genex's operations has remained relatively resilient to COVID-19. The consolidated entity's sole production asset KS1 has been operating largely unaffected since the start of the pandemic. Whilst the reduced demand and electricity prices have caused some constraints on KS1's generation and impacted the revenue received from the market, a large portion of the revenue for KS1 is underpinned by a long-term offtake contract which offers protection against market price fluctuation. Strict protection measures are also in place on site at KS1 to prevent the spread of COVID-19.

In relation to construction of JSF, Genex has also been working closely with its stakeholders such as contractors, suppliers and financiers to ensure the project is being delivered on time whilst also mitigating the risk of COVID-19 spread on site. Key equipment from suppliers are continuing to arrive on site in a timely manner and where deliveries are delayed, they have thus far not caused a material delay to the delivery schedule. JSF remains fully funded and on track to reach completion in late Q4 2020.

Finally, COVID-19 has also had minimal impact on the development of K2H. Genex continues to rapidly progress final negotiations on the key contracts needed to reach financial close. These negotiations have not been slowed down due to COVID-19.

The board and management have scrutinised the impact of COVID-19 on the consolidated entity. The Company has reviewed the assumptions adopted in asset valuation processes in the context of the potential impact of COVID-19. Currently, it is not expected that COVID-19 will have a material, adverse impact on Genex's operations or the carrying value of its various assets. This is largely due to the long-life natures of these assets and the various contracts underpinning them.

## 6. DIRECTORS' 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 2020 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 2020 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 2020.

On behalf of the board



---

Ben Guo  
Director

27 August 2020  
Sydney

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## 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 2020, the consolidated statement of 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 2020 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 (including Independence Standards)* (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.



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## Carrying Value of Property, Plant and Equipment

### Why significant

At 30 June 2020, the Group recognised Property, Plant and Equipment of \$179.8m.

The recognition and recoverability of the Group's Property, Plant and Equipment 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 the construction costs capitalised to Property, Plant and Equipment and agreed these to the supporting supplier invoices, cash payments and assessed whether the cost was 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 2020 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.

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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.



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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, actions taken to eliminate threats or safeguards applied.

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 15 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Genex Power Limited for the year ended 30 June 2020, 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  
27 August 2020

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## 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' 4<sup>th</sup> Edition (the Recommendations) including the 8 principles and 35 specific recommendations included therein. This is the first time the Company has reported against the 4<sup>th</sup> Edition of the Recommendations. The Board has resolved to adopt and report against the 4<sup>th</sup> Edition of the Recommendations even though they are not due to come into effect until Genex's financial year ending 31 June 2021. This CGS was approved by a resolution of the Board of the Company dated 26 August 2020 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.

	<b>Principle 1: Lay Solid Foundations for Management and Oversight</b>	<b>A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.</b>
	<b>Recommendations</b>	
1.1	<p>A listed entity should have and disclose a board charter setting out:</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>The Company complies with this Recommendation.</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 (<b>MD</b>) or equivalent which is currently the Chief Executive Officer (<b>CEO</b>), Mr James Harding.</p> <p>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.</p> <p>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"> <li>• The Board – Paragraph 3.1;</li> <li>• The Chairman – Paragraph 8.1;</li> <li>• The Individual Directors – Paragraph 8.2; and</li> <li>• The MD/CEO – Paragraph 8.3.</li> </ul> <p>(b) The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, purpose, values, 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.</p> <p>The MD/CEO is separately responsible for the ongoing management of the Company in accordance with the</p>

		strategy, purpose, values, policies and programs approved by the Board as outlined in paragraph 8.3.
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and</p> <p>(b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The Company complies with this Recommendation.</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"> <li>• details of other commitments of the prospective candidate (including the potential for any actual or perceived conflicts of interest at the time of the candidate's appointment or in the foreseeable future) and an indication of the time involved; and</li> <li>• an acknowledgement that the prospective candidate will have sufficient time to meet the requirements of non-executive directors of the Company.</li> </ul> <p>All of the Company's current directors have undergone bankruptcy and police checks and appropriate checks will also be undertaken prior to the appointment of any new directors to the Board or any new candidates for election.</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"> <li>• biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate;</li> <li>• details of relationships between the candidate and the Company, and the candidate and directors of the company;</li> <li>• whether the Board considers the person to be independent;</li> <li>• other directorships held;</li> <li>• particulars of other positions which involve significant time commitments;</li> <li>• the term of office currently served by any director subject to re-election;</li> <li>• for new candidates, confirmation that the Company has conducted appropriate checks into the candidate's background and experience and whether those checks have revealed any information of concern that might affect the person's ability to perform the role or a shareholder's decision on how to vote on a resolution for the appointment of that candidate;</li> </ul>

		<ul style="list-style-type: none"> <li>• a statement as to whether the Board supports the election or re-election of the candidate and the reasons why; and</li> <li>• any other particulars required by law.</li> </ul>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>The Company complies with this Recommendation.</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. All directors provide their services as directors to the entity in an individual capacity but may provide any additional services through a service entity which occurs in the case of one director.</p>
1.4	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>The Company complies with this Recommendation.</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> <ol style="list-style-type: none"> <li>have and disclose a diversity policy;</li> <li>Through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</li> <li>disclose in relation to each reporting period: <ol style="list-style-type: none"> <li>the measurable objectives set for that period to achieve gender diversity;</li> <li>the entity's progress towards achieving those objectives; and</li> <li>either: <ol style="list-style-type: none"> <li>the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</li> <li>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.</li> </ol> </li> </ol> </li> </ol>	<p>The Company complies with this Recommendation.</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 is sought in all areas of the Company's business. Decisions relating to promotion, leadership development and flexible work arrangements are based on merit and reinforce the importance of equality in the workplace. Ongoing monitoring of company policies and culture is undertaken to make sure they do not hold any group back in their professional development.</p> <p>(b) While the Company has not yet set measurable objectives for achieving gender diversity with respect to the composition of its board, senior executives or workforce generally, the Company aims to achieve gender diversity in all areas of its business noting that the most recent appointment to the board and the most recent senior executive appointment were both women.</p> <p>(c)(1) As stated in (b) above, the Company has not yet set measurable objectives in terms of a specific quota or ratio but adopts an approach of aiming to achieve</p>

		<p>gender diversity in every new appointment to the board, at senior executive level or in the workforce generally.</p> <p>(c) (2) The Company is making progress towards gender diversity with the most recent board and senior executive appointments both being women. The Company will continue to strive for gender diversity and will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so. The Board regularly reviews its policy and practical approach in achieving gender diversity to determine its adequacy for current circumstances and make appropriate recommendations where required. The Company's Corporate Governance Statement each year contains an update on the Company's compliance with the ASX's recommendations and the Company's Diversity Policy.</p> <p>(c)(3)(A) The Company currently has 15 employees and 7 consultants. 6 of the employees and 2 of the consultants are women. The Company has 3 women in Senior Executive positions with the definition of a "senior executive" according to generally well known market practice and definitions. The Company has 1 female director. This will continue to be reviewed in accordance with each review of the Board's skills and requirements in accordance with the Company's Diversity Policy.</p> <p>(c)(3)(B) 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 for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>The Company complies with this Recommendation.</p> <p>(a) The Chairman is responsible for overseeing the:</p> <ul style="list-style-type: none"> <li>• evaluation and review of the performance of the Board and its committees (other than the Chairman); and</li> <li>• evaluation and review of the performance of individual directors (other than the Chairman);</li> </ul> <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"> <li>• evaluation and review of the performance of the Chairman; and</li> <li>• review of the effectiveness and programme of Board meetings.</li> </ul> <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>

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		<p>commission an external review of the Board, and its composition.</p> <p>(b) An informal review of the Board was carried out in October 2018 with the last formal review of the Board prior to that occurring 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). It is the Board's current intention that the next formal review of the Board will be undertaken following the appointment of the nominated director from J-Power, which is subject to the approval of shareholders at an Extraordinary General Meeting scheduled for 18 September 2020 and following financial close of the Company's Kidston Pumped Storage Hydro Project.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>The Company complies with this Recommendation.</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 Chief Executive Officer, Chief Operations Officer and other senior executives will take place at the same time as a formal Board evaluation scheduled to occur in late 2020 following financial close of the Company's Kidston Pumped Storage Hydro Project.</p>
	<p><b>Principle 2:</b> <b>Structure the Board to be effective and add value</b></p>	<p><b>The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively, and to add value.</b></p>
	<p><b>Recommendations</b></p>	
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"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual</li> </ol>	<p>The Company does not comply with this Recommendation.</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 MD/CEO in consultation with the Board's two executive directors and 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>attendances of the members at those meetings; <b>OR</b></p> <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>(b) While the Board does not currently comply with this recommendation, given the stage of the Company's operations and relatively small number of employees, 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"> <li>• accounting;</li> <li>• finance;</li> <li>• business;</li> <li>• legal, regulatory and compliance;</li> <li>• the renewable energy industry;</li> <li>• Managing Director/CEO-level experience; and</li> <li>• relevant technical expertise.</li> </ul> <p>The Board shall review the range of expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operation of the Company.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.</p>	<p>The Company complies with this Recommendation.</p> <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 and independence 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, purpose and values 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"> <li>• accounting;</li> <li>• finance;</li> <li>• business;</li> <li>• legal, regulatory and compliance</li> <li>• the renewable energy industry;</li> <li>• Managing Director-level experience; and</li> <li>• relevant technical expertise.</li> </ul> <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 or relationship of the type described in Box 2.3 but the board is of the opinion that it does not</p>	<p>The Company complies with this Recommendation.</p> <p>(a) Currently only 2 of the 6 directors are considered to be independent given that Michael Addison was formerly the Managing Director until 7 May 2018, Simon Kidston is an Executive Director, Ben Guo is the Finance Director (which is an executive role) and</p>

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	<p>compromise the independence of the director, the nature of the interest, position 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>Yongqing Yu is the representative of the Company's second largest shareholder. The independent directors are Dr Ralph Craven, the Company's Non-Executive Chairman, and Ms Teresa Dyson, both Non-Executive Directors</p> <p>(b) Not applicable. While each of the directors have received grants of options approved by shareholders in the past, these have not had any specific performance hurdles or vesting milestones attached other than an exercise price well above the share price as at the date of the grant. Additionally, while the independent directors do receive payments for services rendered over and above their duties as non-executive independent directors, these are not performance based payments but payments for services provided on an arm's length basis and not of sufficient duration for the independence of these directors to be compromised. For example, services of this nature have been provided by the independent directors to assist Genex's small management team during periods of significant workload and where additional expertise has been required in relation to the Company's Jemalong and Kidston Pumped Storage Hydro Projects. The services are not of an ongoing nature.</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 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.	<p>The Company does not comply with this Recommendation.</p> <p>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 4 of the 6 directors.</p>
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.	<p>The Company complies with this Recommendation.</p> <p>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.</p>
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to	<p>The Company complies with this Recommendation.</p> <p>Pursuant to the Company's Board Charter the Board must implement an appropriate induction and</p>

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	undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<p>education process for new Board appointees and Senior Executives to enable them to gain a better understanding of:</p> <ul style="list-style-type: none"> <li>• the Company's financial, strategic, operational and risk management position;</li> <li>• the rights, duties and responsibilities of the directors;</li> <li>• the roles and responsibilities of Senior Executives; and</li> <li>• the role of Board committees.</li> </ul> <p>Existing directors are required to participate in development initiatives from time to time including in relation to health and safety.</p> <p>Upon appointment to the Board, each new director receives a copy of the Company's Constitution, corporate governance policies, corporate insurances and any other documents requested by the director to assist in their induction.</p>
	<b>Principle 3: Instil a culture of acting lawfully, ethically and responsibly</b>	<b>A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.</b>
	<b>Recommendations</b>	
3.1	A listed entity should articulate and disclose its values.	<p>The Company complies with this Recommendation.</p> <p>The Company's statement of values is displayed on the Company's website as follows:</p> <p><i>"Genex Power is committed to the development and delivery of clean renewable energy to as many Australian households as possible.</i></p> <p><i>Genex strives to conduct its business in the most ethical, socially responsible, sustainable and transparent manner possible, at all times acting with integrity and respect for all of its stakeholders.</i></p> <p><i>Genex's core values include looking after local communities and regions which surround Genex's projects by providing jobs, investment and economic stimulation".</i></p>
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	<p>The Company complies with this Recommendation.</p> <p>(a) The Company has a "Code of Conduct for Directors and Key Officers" which includes senior executives and employees; and</p> <p>(b) Any material breaches of this policy are brought directly before the Board.</p>
3.3	A listed entity should: (a) Have and disclose a whistleblower policy; and (b) Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	<p>The Company complies with this Recommendation.</p> <p>(a) The Company has a whistleblower policy; and</p> <p>(b) Any material breaches of this policy are brought directly before the Board.</p>
3.4	A listed entity should: (a) Have and disclose an anti-bribery and corruption policy; and	<p>The Company complies with this Recommendation.</p> <p>(a) The Company has a policy titled "Code of Conduct – the Company's obligations to Stakeholders" which operates as the</p>

	(b) Ensure that the board or a committee of the board is informed of any material breaches of that policy.	Company's anti-bribery and corruption policy; and (b) Any material breaches of this policy are brought directly before the Board.
	<b>Principle 4: Safeguard the integrity of corporate reports</b>	<b>A listed entity should have appropriate processes to verify the integrity of its corporate reports.</b>
	<b>Recommendations</b>	
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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; <b>OR</b></p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that 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.</p>	<p>The Company complies with this Recommendation.</p> <p>(a) The Company has an Audit and Risk Management Committee which:</p> <p>(1) has 3 members being Ms Teresa Dyson, 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 and Dr Ralph Craven are independent.</p> <p>(2) is chaired by an independent director being Ms Teresa Dyson who is not the chair of the board.</p> <p>(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.</p> <p>(4) The relevant qualifications and experience of the Committee members is available on the Company's website.</p> <p>(5) The Committee met 4 times in the financial year with all members present at the meeting.</p> <p>(b) Not applicable.</p>
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 Company complies with this Recommendation. The Board ensures, and has received on each occasion that it approves the Company's statutory accounts, 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 should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	The Company complies with this Recommendation. The Company ensures that a copy of every announcement to the market is sent to every Board member and senior executive for review and comment prior to release to the ASX which includes the Company's Appendix 4C and associated commentary every quarter. The Board is of the view that having each announcement reviewed includes an appropriate and

		necessary level of oversight of all statements made to the market.
	<b>Principle 5: Make Timely and Balanced Disclosure</b>	<b>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</b>
	<b>Recommendations:</b>	
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	The Company complies with this Recommendation. 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.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	The Company complies with this Recommendation. The Company Secretary ensures that a copy of all market announcements is provided to the Board either immediately before or immediately after release to the ASX. This practice has been adopted by the Company since its IPO in 2015.
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	The Company complies with this Recommendation. As stated in the responses to 4.3 and 5.2, the Company ensures that a copy of every announcement to the market is sent to every Board member and senior executive for review and comment prior to release to the ASX which includes any new and substantive investor presentation. The Company Secretary also ensures that a copy of the investor presentation is provided to the Board either immediately before or immediately after release to the ASX.
	<b>Principle 6: Respect the Rights of Security Holders</b>	<b>A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.</b>
	<b>Recommendations:</b>	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this Recommendation. 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 have an investor relations program that facilitates effective two-way communication with investors.	The Company complies with this Recommendation. The Company's Corporate Governance Plan includes a shareholder communications strategy which is outlined in 6.1.
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	The Company complies with this Recommendation. 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 either in person or virtually during the current COVID-19 pandemic, 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 ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company complies with this Recommendation. The Company has implemented a policy of ensuring that all resolutions at an AGM or EGM are decided by a poll.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company complies with this Recommendation. The Company has such a practice already in place for all shareholders.
	<b>Principle 7: Recognise and Manage Risk</b>	<b>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework</b>
	<b>Recommendations</b>	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (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; <b>OR</b> (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.	The Company complies with this Recommendation. (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. (1) has 3 members being Ms Teresa Dyson, 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 and Dr Ralph Craven are independent. (2) is chaired by an independent director being Ms Teresa Dyson who is not the Chair 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), Dr Ralph Craven (Member) and Mr Michael Addison (member). (5) The Committee met 4 times during the reporting period with all members as constituted at the time in attendance.  (b) Not applicable.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company complies with this Recommendation. (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

		<p>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 &amp; 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 the Audit &amp; Risk Management Committee and the executive team.</p>
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; <b>OR</b></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 governance, risk management and internal control processes.</p>	<p>The Company complies with this Recommendation.</p> <p>(a) The Company's internal audit function is exercised by the Finance Director, Mr Ben Guo, in conjunction with a full time financial controller employed 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 environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company complies with this Recommendation.</p> <p>The Company is not aware of any potential material exposure to economic and environmental risks not otherwise already disclosed in its previous announcements and periodic reports to the ASX and also 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 and is undertaking an Environmental Evaluation Process in conjunction with the Queensland Department of Environment and Science in relation to amending the terms of its current Environmental Authority over the Kidston site in Queensland. These risks are managed through a regular risk session involving key members of management, the Audit &amp; Risk Committee and the Board.</p>
<p><b>Principle 8:</b> <b>Remunerate Fairly and Responsibly</b></p>		<p><b>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value</b></p>

		for security holders and with the entity's values and risk appetite.
	Recommendations	
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; <b>OR</b></p> <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>The Company complies with this Recommendation.</p> <p>(a) The Board has established a separate Remuneration Committee which:</p> <p>(1) has 3 members being Dr Ralph Craven, Ms Teresa Dyson and Mr Simon Kidston. A majority of the committee also being Dr Ralph Craven and Ms Teresa Dyson are independent.</p> <p>(2) the Committee is chaired by an independent director being Dr Ralph Craven.</p> <p>(3) A copy of the Remuneration Committee Charter is available on the Company's website.</p> <p>(4) The members of the committee are Dr Ralph Craven, Ms Teresa Dyson and Mr Simon Kidston.</p> <p>(5) The Committee met twice in the financial year with all 3 members being present at the meeting of the Committee.</p> <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 Company complies with this Recommendation.</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 through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Company complies with this Recommendation.</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 unvested entitlements 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:</p> <p><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</i></p>

		<i>schemes should be timed to coincide with any trading windows under the Company's securities trading policy...</i>
	<b>Principle 9:</b>	
	<b>Recommendations:</b>	
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the process it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	The Company complies with this Recommendation. Mr Yongqing Yu, a non-executive director based in China and the representative of the Company's second largest shareholder, Asia Ecoenergy Development Limited, does not speak English. Mr Yu has an appointed representative who is a senior executive of that entity, who is able to interpret communications including relevant Board material with Mr Yu.

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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 17 August, 2020 (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	4,296
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
Mitsubishi UFJ Financial Group, Inc	31,536,942	30.04.20
First Sentier Investor Holdings Pty Limited	31,536,942	28.04.20
Commonwealth Bank of Australia	31,536,942	27.04.20
Zhefu Holding Group	35,678,750	29.07.19

There are 402 shareholders with an unmarketable parcel of shares being a holding of less than 2,273 shares each for a combined total of 559,472 shares. This is based on a closing price of \$0.225 per share as at 14 August, 2020 and represents 0.13932% of the shares on issue on that day.

### Distribution of Shareholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	109	10,847	0.00
1,001-5,000	1,029	3,258,190	0.65
5,001-10,000	526	4,265,623	0.86
10,001-100,000	2,073	86,093,670	17.27
100,001 and over	559	404,925,577	81.22
<b>Total</b>	<b>4,296</b>	<b>498,553,907</b>	<b>100.00</b>

<b>Top 20 Shareholders</b>	<b>Total Units</b>	<b>Percentage %</b>
CITICORP NOMINEES PTY LIMITED	57,641,041	11.562%
ASIA ECOENERGY DEVELOPMENT LIMITED	35,678,750	7.156%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	25,669,154	5.149%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	23,407,296	4.695%
KFT CAPITAL PTY LIMITED <GUNDIMAIN A/C>	15,200,000	3.049%
DOWNING DOMAIN INVESTMENTS PTY LTD	14,834,631	2.976%
DANAWA (INV) PTY LTD <DANAWA S/F A/C.	14,500,000	2.908%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,112,476	2.630%
DANAWA (INV) PTY LTD <DANAWA S/F A/C.	10,000,000	2.006%
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	6,647,000	1.333%
AUSTRALIAN GO FUTURES PTY LTD	5,000,003	1.003%
WASHINGTON H SOUL PATTINSON & CO LTD	4,545,455	0.912%
BNP PARIBAS NOMS PTY LTD <DRP>	3,876,784	0.778%
NATIONAL NOMINEES LIMITED	3,488,162	0.700%
KFS PTY LIMITED <SEK SUPER FUND A/C>	3,224,431	0.647%
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	2,626,727	0.527%
KRUMPET NO 10 PTY LTD <PETER A BROWN FAM A/C>	2,500,000	0.501%
MRS JILLIAN MARIA NOEL TAYLOR	2,415,609	0.485%
UBS NOMINEES PTY LTD	2,361,999	0.474%
BRAIDWOOD FARM PTY LTD <THE BINSTEAD FAMILY ACCOUNT>	2,297,500	0.461%
<b>Top 20 Shareholders</b>	<b>249,027,018</b>	<b>49.950</b>
<b>Total Issued Capital</b>	<b>498,553,907</b>	<b>100.00</b>

#### Distribution of Option holders – Exercisable at \$0.25 expiring 2 September 2021

<b>Holdings Ranges</b>	<b>Holders</b>	<b>Total Units</b>	<b>Percentage %</b>
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
<b>Total</b>	<b>1</b>	<b>2,400,000</b>	<b>100.00</b>

**Option holders with more than 20% of the Class of Option:**

JAMES WILLIAM HARDING	2,400,000	100.00
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**Distribution of Option holders – 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
<b>Total</b>	<b>5</b>	<b>15,500,000</b>	<b>100.00</b>

**Option holders 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 Option holders – 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
<b>Total</b>	<b>3</b>	<b>4,850,000</b>	<b>100.00</b>

**Option holders with more than 20% of the Class of Option:**

JAMES WILLIAM HARDING	2,600,000	53.608
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CRAIG ARTHUR FRANCIS	2,000,000	41.237
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#### Distribution of Option holders – Exercisable at \$0.34 expiring 10 September 2024

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	14,500,000	100.00
<b>Total</b>	<b>6</b>	<b>14,500,000</b>	<b>100.00</b>

#### Option holders with more than 20% of the Class of Option:

ESCR INVESTMENTS PTY LTD <THE CRAVEN FAMILY A/C>	4,000,000	27.586%
LIGUO CAPITAL PTY LIMITED <BENJO FAMILY A/C>	3,000,000	20.690%
DANAWA (INV) PTY LTD <DANAWA S/F A/C>	3,000,000	20.690%

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

### 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](mailto:info@genexpower.com.au)

### WEBSITE

[www.genexpower.com.au](http://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](http://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](http://www.boardroomlimited.com.au)

### PRINCIPAL BANKERS

National Australia Bank

# Genex Power

2020

## Annual Report



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