

**APPENDIX 4D** 

**HALF-YEAR REPORT** 

FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2016

ABN 18 152 098 854

#### **Highlights**

- Net loss after tax of \$2,652,629
- Increased expenditure over the previous corresponding period due to:
  - o Completion of technical feasibility study of the Kidston Pumped Storage Hydro Project; and
  - Development of the Phase One 50MW Kidston Solar Project including Project Financing activities.

#### Commentary

For the half year ended 31 December 2016, Genex Power Limited (**Genex, Company** or **Consolidated Entity**) incurred an after tax loss of \$2,652,629. The majority of expenditure was incurred on the completion of the technical feasibility study for the Kidston Pumped Storage Hydro (KPSH) Project as well as development of the 50MW solar photovoltaic project on the Kidston site (**Solar Project**).

In December 2016, the Company received an \$8.85 million grant from ARENA as part of the Large-Scale Solar Funding Award Program as previously announced to the ASX on 8 September 2016 (**ARENA Funding**). The ARENA Funding is to be applied towards construction costs of the Solar Project. Genex reached financial close on the Solar Project on 14 February 2017

The Company did not generate any income during the half year, other than through bank interest.

#### **Cash at Bank**

As at 31 December 2016, Genex had cash at bank of \$18,030,397. In addition, there is a term deposit of \$3,804,312 in place which is used as security for a bank guarantee for the Environmental Financial Assurance.

# APPENDIX 4D HALF YEAR REPORT

## 1. Company details

Name of entity: ABN:

Reporting Period: Previous Reporting period: Genex Power Limited 18 152 098 854

Half year ended 31 December 2016 Full year ended 30 June 2016

## 2. Results for announcement to the market

	Key information		%		Half-Year ended 31 December 2016 \$
2.1	Revenue from ordinary activities	up	332%	to	185,889
2.2	Loss from ordinary activities attributable to the owners of Genex Power Limited	down	18%	to	2,652,629
2.3	Total comprehensive Loss for the period attributable to the owners of Genex Power Limited	down	18%	to	2,652,629

#### **Dividends**

**2.4** No dividends have been paid or provided for during the period.

#### 2.5 Explanation of the Company's Half Year Results.

The principal activities of the Consolidated Entity during the course of the half year consisted of completing the technical feasibility of the KPSH Project as well as the development of the Solar Project. The Technical Feasibility Study (**TFS**) of the KPSH Project was completed in November 2016, which concluded that the KPSH Project was technically feasible. The final feasibility design concluded that a 250MW scheme with storage capacity of up to 6 hours was the optimal design for the scheme in consideration of its location and market dynamics. Since completion of the TFS, Genex has been actively developing a funding strategy for the project with a view to achieving financial close in 2017.

In conjunction with work on the KPSH Project, Genex has also been successful in completing development and other preconstruction work on the Solar Project during the reporting period. In September 2016, the Company was successful in securing a grant of \$8.85 million from ARENA for the Solar Project in ARENA's competitive Large-Scale Solar Funding Award Program. At the same time, Genex was also awarded a 20 year revenue support deed from the Queensland Government, which ensured a minimum price floor for electricity generated and sold into the grid from the Kidston Solar Project. Together, with the appointment of UGL as the EPC contractor for the Solar Project, Genex was able to secure credit approval for a project debt facility in excess of \$100 million in December 2016 which enabled the Solar Project to reach financial close and commencement of construction in February 2017.

Genex raised \$9.9 million in December 2016 via a placement to advance the development of the Kidston Solar Project as well as progress the Solar Project towards financial close. The placement was undertaken in conjunction with a Share Purchase Plan (SPP) which was completed subsequent to end of the period in January 2017. Funds raised under the SPP are also to be applied towards the Kidston Solar Project.

During the period, Genex drew down \$453,035 from the Convertible Note facility pursuant to the \$4 million ARENA Funding Agreement executed and announced to the market in December 2015 in relation to funding the feasibility of the KPSH Project. In accordance with the provisions of the agreement with ARENA, the Convertible Notes issued are convertible into Genex shares at a price of \$0.20 per share.

The Company did not receive any revenue during the period other than interest earned from its bank accounts and fuel tax credits totalling \$185,889.

In October 2016, the Company announced the receipt of a favourable private tax ruling from the Australian Taxation Office (ATO) in respect of approximately \$39.5 million of tax losses arising from the original acquisition of Kidston Gold Mines Limited. Under the terms of the Private Tax Ruling, and subject to appropriate valuation and the respective usage calculation under the available fraction guidelines, Genex will be able to offset these losses against future taxable earnings achieved across the Genex tax consolidated group.

The Consolidated Entity generated an operating loss of \$2,652,629 for the half year ended 31 December 2016 (which is a decrease of \$569,135 based on the loss of \$3,221,764 for the period ended 31 December 2015), principally due to additional capitalisation of Kidston Solar costs rather than expensing as the project moved towards construction.

#### 3. Net tangible assets Reporting period Previous corresponding period

Net tangible assets per ordinary share

7.46 cents

2.21 cents

The calculation of net tangible assets per ordinary share uses the total number of shares on issue as at 31 December 2016 being 225,385,937 shares.

#### 4. Control gained over entities

During the half year, a number of subsidiaries were formed as part of the financing structure for the Kidston Solar Project.

Except for the above, there was no change in the status of the Consolidated Entity through the year.

#### 5. Loss of control over entities

There was no change in the status of the Consolidated Entity during the half year.

## 6. Details of associates and joint ventures

There are no associates or joint ventures of the Consolidated Entity.

#### 7. Review

The attached Financial Report of Genex Power Limited for the half year ended 31 December 2016 has been reviewed by William Buck and Associates, the Company's auditor.

#### 8. Attachments

The Half Year Report of Genex Power Limited for the period ended 31 December 2016 follows.

## 9. Signed

Signed in accordance with a resolution of the Board of Directors.

Dated this 28<sup>th</sup> day of February 2017.

Signed:

Michael J. Addison

**Managing Director** 

## **CONTENTS**

1.	Directors' Report	7
2.	Auditor's Independence Declaration	9
3.	Financial Statements	10
4.	Directors' Declaration	20
5	Corporate Directory	21

#### 1. DIRECTORS' REPORT

The Directors present their report, together with the financial statements, of Genex Power Limited (referred to hereafter as the 'Consolidated Entity') consisting of Genex Power Limited (referred to hereafter as 'Genex', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the six month period ended 31 December 2016.

#### **Directors**

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

Michael Addison (appointed 15 July 2011)
Simon Kidston (appointed 1 August 2013)
Ben Guo (appointed 25 October 2013)
Ralph Craven (appointed 29 May 2015)
Alan du Mée (appointed 29 May 2015)
Yongqing Yu (appointed 8 February 2016)

#### **Principal activities**

The principal activities of the Consolidated Entity during the course of the half year consisted of completing the TFS of the KPSH Project as well as the development of the Kidston Solar Project. The TFS of the KPSH Project was completed in November 2016 and it was concluded that the project was technically feasible. The feasibility design concluded that a 250MW scheme with storage capacity of up to 6 hours was the optimal design for the scheme in consideration of its location and market dynamics. Since completion of the TFS, Genex has been actively developing a funding strategy for the project with a view to achieving financial close in 2017.

In conjunction with work on the KPSH Project, Genex has also been successful in completing development and other preconstruction works on the Solar Project during the reporting period. In September 2016, the Company was successful in securing a grant of \$8.85 million from ARENA for the Solar Project in ARENA's competitive Large-Scale Solar Funding Award Program. At the same time, Genex was also awarded a 20 year revenue support deed from the Queensland Government, which ensures a minimum price floor for electricity generated and sold into the grid from the Kidston Solar Project. Together, with the appointment of UGL as the EPC contractor for the Solar Project, Genex was able to secure credit approval for a project debt facility in excess of \$100 million in December 2016 which enabled the Solar Project to reach financial close and commencement of construction in February 2017.

In addition, Genex raised \$9.9 million in December 2016 via a placement to advance the development of the Kidston Solar Project as well as progress the Solar Project towards financial close. The placement was undertaken in conjunction with a Share Purchase Plan (SPP) which was completed subsequent to end of the period in January 2017. Funds raised under the SPP are also to be applied towards the Kidston Solar Project.

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The Company did not receive any revenue during the period other than interest earned from its bank accounts and fuel tax credits totalling \$185,889.

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calculation under the available fraction guidelines, Genex will be able to offset these losses against future taxable earnings achieved across the Genex tax consolidated group.

The Consolidated Entity generated an operating loss of \$2,652,629 for the half year ended 31 December 2016 (which is a decrease of \$569,135 based on the loss of \$3,221,764 for the period ended 31 December 2015), principally due to additional capitalisation of Kidston Solar costs rather than expensing as the project moved towards construction.

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

Subsequent to the end of the half year ended 31 December 2016 the following events took place:

On 9 January 2017, Genex closed the SPP announced in December 2016. Under the SPP, Genex raised \$2,560,939.

On 3 February 2017, Genex announced a new capital raising to raise \$5 million under a placement and a further \$3 million under a Rights Issue. The Rights Issue was underwritten by Morgans Corporate Limited and Canaccord Genuity (Australia) Limited. These funds, together with funds raised in the equity raising in December 2016, allowed Genex to access sufficient equity capital to reach project financial close for the Kidston Solar Project in February 2017.

On 14 February 2017, Genex announced it had successfully reached financial close on the Kidston Solar Project. This followed credit approval for a senior debt facility received in December 2016. In addition to equity and project debt, upon reaching financial close, Genex is also able to draw down on the \$8.85 million ARENA grant (received in December 2016) and apply these funds towards the Solar Project construction costs. Since achievement of financial close construction has now commenced at site and the project remains on track to deliver first generation by 4Q 2017.

Apart from the matters outlined above there have been no other material events or circumstances which have arisen since 31 December 2016 that have significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

#### **Loss per Share**

The loss per share for Genex Power Limited for the period was 1.54 cents per share.

#### **Results of Operations and Dividends**

The Group's net loss after taxation attributable to the members of Genex Power Limited for the period ended 31 December 2016 was \$2,652,629. The Directors of Genex have resolved not to recommend a dividend for the period ended 31 December 2016.

#### Auditor's independence declaration

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

On behalf of the Directors

rat.

Michael Addison Managing Director

28 February 2017 Sydney



## **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE** CORPORATIONS ACT 2001 TO THE DIRECTORS OF GENEX POWER LIMITED

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

**Chartered Accountants** 

William Buck

ABN 16 021 300 521

Les Turis

L.E. Tutt

Partner

Sydney, 28 February 2017

**CHARTERED ACCOUNTANTS** 

& ADVISORS

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## Genex Power Limited Financial Statements For the half year ended 31 December 2016

#### 3. FINANCIAL STATEMENTS

#### **Contents**

Statement of profit or loss and other comprehensive income	11
Statement of financial position	
Statement of changes in equity	
Statement of cash flows	
Notes to the financial statements	
Directors' declaration	

#### **General information**

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

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

#### **Registered Office**

Level 9 2 Bligh Street Sydney NSW 2000

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2017. The Directors have the power to amend and reissue the financial statements.

10

## Genex Power Limited Consolidated Statement of profit and loss and other comprehensive income For the half year ended 31 December 2016

		Consolid	ated
	Notes	31 December 2016	31 December 2015
		\$	\$
Revenue	<del>-</del>	185,889	43,052
Expenses			
Project costs		(795,674)	(1,595,144)
Salary expenses		(1,120,169)	(859,054)
Administrative expenses		(415,548)	(352,913)
Compliance cost and regulatory fees		(101,649)	-
Consulting costs		(215,861)	(319,754)
Legal fees		(15,260)	(54,193)
Travel		(117,714)	(83,758)
Other Expenses		(56,643)	-
Total Expenses		(2,838,518)	(3,264,816)
Loss before income tax expense	<u> </u>	(2,652,629)	(3,221,764)
Income tax expense		-	-
Loss after income tax expense		(2,652,629)	(3,221,764)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period Attributable to the owners of Genex Power Limited	_	(2,652,629)	(3,221,764)
	_		
		31 December 2016	31 December 2015
		Cents	Cents
Basic loss per share		(1.54)	(2.03)
Diluted loss per share		(1.54)	(2.03)

## Genex Power Limited Consolidated Statement of financial position For the half year ended 31 December 2016

		Consolidated		
	Notes	31 December 2016	30 June 2016	
		\$	\$	
Assets				
Current Assets				
Cash and cash equivalents	3	18,030,397	4,179,614	
Trade and other receivables		691,767	418,836	
Prepayments	_	2,844,208	2,684,163	
		21,566,372	7,282,613	
Non-Current Assets				
Term deposit/Bank guarantee	5	3,804,312	3,804,312	
Goodwill		3,804,312	3,804,312	
Property, plant and equipment	4	1,170,568	605,474	
Other Assets	_	18,270	18,270	
		8,797,462	8,232,368	
Total Assets	- -	30,363,834	15,514,981	
Liabilities				
Current Liabilities				
Trade and other payables	6	1,331,442	389,337	
Loans	7	8,238	2,249,730	
Provisions		100,801	47,368	
ARENA Grant Deferred	8	8,850,000	-	
Convertible Note		1,331,195	1,065,068	
Short term interest accrued		104,746	63,111	
Rehabilitation and restoration provision	_	234,000	234,000	
		11,960,422	4,048,624	
Non-Current Liabilities				
Long term accrued interest		389,226	377,599	
Rehabilitation and restoration provision	_	3,570,311	3,570,311	
		3,959,537	3,947,910	
Total Liabilities	- -	15,919,959	7,996,524	
Net Assets	- -	14,443,875	7,518,457	
Equity				
Share capital	9	25,164,070	15,800,028	
Option reserves	10	1,666,087	1,578,785	
Equity reserves	10	763,722	630,077	
Accumulated losses		(13,150,004)	(10,490,433)	
Total Equity	_	14,443,875	7,518,457	
· · · · · · · · · · · · · · · · · · ·	=	±-1,7-7-3,07-3	7,510,737	

## Genex Power Limited Consolidated Statement of changes in equity For the half year ended 31 December 2016

	Note s	Issued	Equity	Option	Accumulated	Total
Consolidated		Capital	Reserves	Reserves	Losses	Equity
		\$	\$	\$	\$	\$
Balance at 1 July 2015		12,477,028	-	1,380,085	(3,594,140)	10,262,973
Loss after income tax		-	-	-	(3,221,764)	(3,221,764)
Other comprehensive loss		-	-	-	-	-
Total comprehensive loss for period		12,477,028	-	1,380,085	(6,815,904)	7,041,209
Shares issued during the period net issue costs		-	-	-	-	-
Share options issued during the period		-	-	267,575	-	267,575
Balance at 31 December 2015	•	12,477,028	-	1,647,660	(6,815,904)	7,308,784
Balance at 1 July 2016		15,800,028	630,077	1,578,785	(10,490,433)	7,518,457
Loss after income tax		-	-	-	(2,652,629)	(2,652,629)
Adjustment to Retained Earnings		-	-	-	(6,942)	(6,942)
Other comprehensive loss		-	-	-	-	-
Total comprehensive loss for period		15,800,028	630,077	1,578,785	(13,150,004)	4,858,886
Shares issued during the period net issue costs		9,364,042	-	-	-	9,364,042
Equity value of ARENA Convertible Note		-	133,645	-	-	133,645
Loyalty Options Converted		-	-	(690)	-	(690)
Share options issued during the period		-	-	87,992	-	87,992
Balance at 31 December 2016	•	25,164,070	763,722	1,666,087	(13,150,004)	14,443,875

## **Genex Power Limited Consolidated Statement of cash flows** For the half year ended 31 December 2016

Notes	Consolidated	
	31 December	31 December
	2016 \$	2015 \$
Cashflow from Operating Activities	·	•
Receipts from customers	12,451	-
Payments to suppliers and employees (inclusive of GST)	(3,080,596)	(3,283,153)
Interest income	173,438	43,052
Income tax paid	-	-
Net cash utilised by operating activities	(2,894,707)	(3,240,101)
Cashflow from Investing Activities		
Capital work in progress	(565,094)	-
Payment for purchase of land	-	(175,000)
Funds invested into a term deposit/bank guarantee		(3,804,312)
Net cash used in investing activities	(565,094)	(3,979,312)
Cook flow from Flooring Antivities		
Cashflow from Financing Activities	0.364.043	
Net proceeds from issue of shares	9,364,042	-
Net proceeds from issue of options	- (4.700.457)	- (46.244)
Net loan movement	(1,788,457)	(46,344)
Net cash from financing activities	7,575,584	(46,344)
Net increase in cash and cash equivalents	4,115,783	(7,265,758)
Cash and Cash equivalent at the beginning of the period	4,179,614	10,669,145
Cash and Cash equivalents at the end of the period	8,295,397	3,403,387

#### 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 periods presented, unless otherwise stated.

#### New, revised or amending Accounting Standards and Interpretations adopted

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

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

#### **Basis of preparation**

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

#### **Note 2. Operating Segment**

Management has determined that the Consolidated Entity has one reportable segment; the development of clean energy projects in Australia. Except for Yongqing Yu, all Directors, executive and operating management are based in Australia.

## Note 3: Cash and Cash Equivalent

	31 December 2016 \$	30 June 2016 \$
Cash and cash equivalents	9,180,397	4,179,614
ARENA Grant	8,850,000	-
	18,030,397	4,179,614

The ARENA Grant of \$8,850,000 plus GST was received in the Kidston Solar Project entity in December 2016. The cash amount for the ARENA Grant is restricted subject to the Kidston Solar Project reaching financial close. As at 31 December 2016, the Kidston Solar Project had not yet reached financial close. This was subsequently achieved in February 2017. Drawdown of the ARENA Grant is then subject to funds being applied to eligible expenditure as well as co-authorisation from ARENA.

#### Note 4. Property Plant and Equipment - Non-Current

	31 December 2016 \$	30 June 2016 \$
Land	175,000	175,000
Work in Progress Capital assets	995,568	430,474
	1,170,568	605,474

On 18 January 2016, the term lease over the Kidston Project site was converted to freehold title and was acquired by Kidston Gold Mines Limited from the Queensland State government for \$175,000. Work in Progress Capital assets include ongoing development costs incurred for the Kidston Solar Project.

#### Note 5. Other assets - Non-Current

	31 December 2016 \$	30 June 2016 \$
Electricity bond	18,270	18,270
Term Deposit/Bank Guarantee for Environmental Bond	3,804,312	3,804,312
	3,822,582	3,822,582

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.

The bond is subject to annual review by the Department of Environment and Hermitage Protection, most recently conducted on 29 April 2016, confirming that the bond guarantee held by the Queensland government is sufficient to meet the Environmental Protection Act's requirements.

#### Note 6. Trade and other payables

	31 December 2016 \$	30 June 2016 \$
Current		
Trade creditors and accruals	388,067	333,461
PAYG withholdings	58,375	55,876
GST liability	885,000	
	1,331,442	389,337
Note 7. Loans		
	31 December	30 June
	2016	2016
	\$	\$
Loans	8,238	2,249,730
	8,238	2,249,730

A R&D facility of \$2,200,000 from the Commonwealth Bank of Australia was repaid in December 2016.

#### **Note 8. ARENA Grant Deferred**

	31 December 2016	30 June 2016
Current	\$	\$
Trade creditors and accruals	8,850,000	-
	8,850,000	-

the release of the funds will be in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. (see Note 3)

#### Note 9. Equity - issued capital

		31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$	30 June 2016 \$
Ordinary shares - fully paid		225,385,937	180,268,750	25,164,070	15,800,028
Movements in ordinary share capital Details	Date		No of shares	Issue price	\$
Balance	31 Decemb	per 2015	158,393,750	_	12,477,028
Issue of shares Share issue costs, net of tax	17 June 20	16	21,875,000	\$0.16	3,500,000 (177,000)
Movement for the period		<del>-</del>	21,875,000	_	3,323,000
Balance	30 June 20	16	180,268,750		15,800,028
Exercise of Options Issue of shares Share issue costs, net of tax Movement for the period	8 Decembe 15 Decemb		50,000 45,067,187 45,117,187	\$0.20 \$0.22 —	10,000 9,914,781 (560,738) 9,364,042
Balance	31 Decemb	per 2016	225,385,937	=	25,164,070

## 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.

## Note 10. Equity - option reserves

	31 December 2016 \$	30 June 2016 \$
Option reserves	1,666,087	1,578,785

#### Option reserve

The reserve is used to record the value of share options and Loyalty Options issued by the Company on terms as outlined below.

Options at the start of the period	30,800,000
Granted during the period	2,400,000
Forfeited during the period	-
Exercised during the period	50,000
Expired during the period	-
Outstanding at the end of the period	33,150,000
Vested and exercisable at the end of the period	25,750,000

These share options and Loyalty Options are the only outstanding share options of the Consolidated Entity. Please refer to the Annual Report for the year ended 30 June 2016 for the terms attached to the options.

#### **Executive General Manager Options**

Number	2,400,000
Value per option	\$0.0647
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 various milestones. If a milestone is not achieved, then the options for that milestone will lapse

unvested.

Issue date2 September 2016Expiry date2 September 2021

Option exercise period At any time from date of vesting

Other conditions None

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

The value of the Executive General Manager Options granted during the period ended 31 December 2016 was calculated to be \$0.0647 using Black Scholes Model. The volatility of options used in the Black Scholes valuation are based on share price volatility of other project development companies listed on the ASX with similar valuations and risk profiles. Features incorporated into the measurement of fair value of the options include:

Underlying share price	\$0.16
Exercise price	\$0.25
Expected volatility	60%
Option life	5 years
Expected dividends	Nil
Risk free interest rate	1.5%

#### Note 11: Fair Value

The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

#### Note 12. Events after the reporting half year ended 31 December 2016

Subsequent to the end of the half year ended 31 December 2016 the following events took place: On 9 January 2017, Genex closed the SPP announced in December 2016. Under the SPP, Genex raised \$2,560,939.

On 3 February 2017, Genex announced a new capital raising to raise \$5 million under a placement and a further \$3 million under a Rights Issue. The Rights Issue was underwritten by Morgans Corporate Limited and Canaccord Genuity (Australia) Limited. These funds, together with funds raised in the equity raising in December 2016, allowed Genex access to sufficient equity capital to reach project financial close for the Kidston Solar Project.

On 14 February 2017, Genex announced it had successfully reached financial close on the Kidston Solar Project. This follows the credit approval for the senior debt facility received in December 2016. In addition to equity and project debt, upon reaching financial close, Genex is also able to drawdown on the \$8.85 million ARENA grant (received in December 2016) and apply it towards project construction costs. Following achievement of project financial close, construction has now commenced at site and the project remains on track to deliver first generation by 4Q 2017.

Apart from the matters outlined above there have been no other material events or circumstances which have arisen since 31 December 2016 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 13. Loss Per Share

	31 December 2016 \$	31 December 2015 \$
Total comprehensive loss for the period Weighted average number of ordinary shares used in calculating basic loss per share Adjustments for calculation of diluted loss per share:	2,652,629 172,612,911	3,221,764 158,393,750
Options over ordinary shares Weighted average number of ordinary shares used in calculating diluted loss per share	172,612,911	158,393,750
Basic loss per share Diluted loss per share	Cents (1.54) (1.54)	<b>Cents</b> (2.03) (2.03)

#### Note 14. Share-based payments

On 2 September 2016, 2,400,000 options were granted as remuneration to the Executive General Manager of Genex. The total value of these options at the grant date was \$87,992 (Note 9)

### Note 15. Dividends

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

## Note 16. Commitments to UGL

Since 31 December 2016, Genex has incurred significant commitments to UGL under the EPC contract for construction of the Kidston Solar Project. These commitments are being met by a combination of equity funding, ARENA Grant and project debt. Due to financial close being achieved in February 2017 there were no committed expenditures at 31 December 2016.

#### Note 17. Private Tax Ruling

In October 2016, the Company announced a favourable private tax ruling it has received from the Australian Taxation Office (ATO) in respect of approximately \$39.5 million of tax losses arising from the original acquisition of Kidston Gold Mines Limited. Under the terms of the Private Tax Ruling, and subject to appropriate valuation and the respective usage calculation under the available fraction guidelines, Genex will be able to offset these losses against future taxable earnings achieved across the Genex tax consolidated group.

#### 4. DIRECTOR'S DECLARATION

In the opinion of the Directors of Genex Power Limited:

- a) The consolidated financial statements and notes of Genex Power Limited are in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - ii. Complying with Accounting Standard AASB 134 Interim Financial Reporting; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

A.

Michael Addison Managing Director

28 February 2017 Sydney

#### 5. CORPORATE DIRECTORY

#### **DIRECTORS**

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

Non-Executive Chairman
Managing Director
Executive Director
Mr Non-Executive Director
Non-Executive Director

#### **COMPANY SECRETARY**

Mr Justin Clyne

#### **REGISTERED OFFICE & PRINCIPAL PLACE IF BUSINESS**

Level 9 2 Bligh Street Sydney NSW 2000

Telephone: +61 2 9993 4441 Facsimile: +61 2 9993 4433

Email: <a href="mailto:info@genexpower.com.au">info@genexpower.com.au</a>

#### WEBSITE

www.genexpower.com.au

#### **ASX CODE**

GNX

#### **AUDITORS**

## William Buck

Level 29

66 Goulburn Street Sydney NSW 2000

Telephone: +61 2 8263 4000
Facsimile: +61 2 8263 4111
Website: www.williambuck.com

#### **SHARE REGISTRY**

## **Boardroom Pty Limited**

Level 12

225 George Street Sydney NSW 2000

Telephone: +61 2 9290 9600 Facsimile: +61 2 9279 0664

Website: <u>www.boardroomlimited.com.au</u>



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF **GENEX POWER LIMITED**

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Genex Power Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Genex Power Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

#### **CHARTERED ACCOUNTANTS** & ADVISORS

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GENEX POWER LIMITED (CONT)

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Genex Power Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

William Buck

**Chartered Accountants** 

William Buck

ABN 16 021 300 521

Les Turis

L.E. Tutt Partner

Sydney, 28 February 2017