



# Appendix 4D

## Half-Yearly Report

For the 6 month period ended  
31 December 2018

ABN 18 152 098 854



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## 1. DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements, of Genex Power Limited consisting of Genex Power Limited (referred to hereafter as '**Genex**', the '**Company**' or '**Parent Entity**') and the entities it controlled at the end of, or during, the six months period ended 31 December 2018 (referred to hereafter as the '**Consolidated Entity**').

### Directors

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

Ralph Craven  
Michael Addison  
Yongqing Yu  
Alan du Mée (retired 5 Nov 2018)  
Ben Guo  
Simon Kidston  
Teresa Dyson

### Principal activities

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

### Dividends

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

### Significant changes in the state of affairs

During the half year, the Consolidated Entity achieved a number of key milestones towards the development of the Kidston Stage 2 Projects (**K2**) as well as announcing a further expansion to the corporate project portfolio with the acquisition of a new 50MW solar project at Jemalong in New South Wales.

The principal milestone achieved by the Company during the period was the announcement in December that it had entered into a term sheet in respect of a long-term energy storage services agreement with Energy Australia Pty Ltd (**EA**) for the 250MW Kidston Pumped Storage Hydro Project (**K2-Hydro**) in addition to providing an equity investment into the K2-Hydro project vehicle. Following the announcement in June 2018 that the Company had executed a term-sheet with the Northern Australian Infrastructure Facility (**NAIF**) for the provision of concessional debt financing for K2, the Company is now focused on reaching financial close for K2-Hydro in H1 2019, with the Stage 2 Solar Project (**K2-Solar**) to be developed and financed independently at a later stage of the 2019 calendar year. The strategic decision to separately stage the financing of K2-Hydro and K2-Solar has been made with the objective of having both projects simultaneously commence generation in 2022.

Complementing these development milestones were the announcements that the K2-Hydro project had been granted a development approval by the Etheridge Shire Council and has also been declared a Coordinated Project by the Queensland Government which provides an expedited pathway for Genex to finalise all outstanding approvals for K2-Hydro. Further, Genex announced the appointment of Entura as Owner's Engineer for both K2 projects to continue to progress developments.

In regards to KS1, the Company announced the achievement of Practical Completion in December, which marks the commencement of the Operations and Maintenance (**O&M**) stage. KS1 continues to generate into the National Electricity Market (**NEM**) and has commenced the 20-year revenue support deed with the Queensland Government, which ensures a minimum average price for the energy produced from KS1.

Further, the Company announced the acquisition of the 50MW Jemalong Solar Project (**JSP**), located near Forbes in NSW. JSP is in an advanced stage of development, with the acquisition being subject to a number of conditions precedent. The acquisition offers the opportunity to expand the corporate portfolio and diversify across regions.

During the period, Genex drew down \$1,515,836 from the second Convertible Note facility pursuant to the ARENA Funding Agreements executed with the Australian Renewable Energy Agency (**ARENA**).

The Consolidated Entity generated an operating profit of \$609,598 for the half year ended 31 December 2018 (which is an improvement of \$5,960,167 based on the loss of \$5,350,569 for the half year period ended 31 December 2017).

**Matters subsequent to the end of the year**

There have been no other material events or circumstances which have arisen since 31 December 2018 that have significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years, other than the capital raising of \$2.125m announced on 8 February 2019.

**Loss per share**

The loss per share for Genex Power Limited for the period was 0.54 cents per share (December 2017 2.11 cents).

**Results of Operation and Dividends**

The Consolidated Entity's net loss after taxation attributable to the members of Genex for the period ended 31 December 2018 was \$1,645,973. The Directors of Genex have resolved not to recommend a dividend for the period ended 31 December 2018.

**Auditor's independence declaration**

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

On behalf of the directors



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Ben Guo  
Director

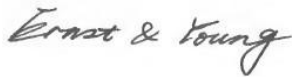
28 February 2019  
Sydney

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

As lead auditor for the review of the financial report of Genex Power Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Lynn Morrison  
Partner  
28 February 2019

### 3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### General information

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

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

#### Registered Office

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2019. The directors have the power to amend and reissue the financial statements.

**Genex Power Limited**

**Interim condensed consolidated statement of profit or loss and other comprehensive income**

**For the 6 months ended 31 December 2018**

	Notes	31 December 2018	31 December 2017
		\$	\$
<b>Revenue</b>			
Sale of electricity and environmental products	4	6,114,308	-
Other income	4	2,653,276	5,524
		<b>8,767,584</b>	<b>5,524</b>
<b>Expenses</b>			
Project costs		(2,353,065)	(1,569,757)
Salary expenses		(1,547,031)	(1,247,496)
Administrative expenses		(561,931)	(899,371)
Compliance cost and regulatory fees		(75,373)	(82,223)
Consulting costs		(892,805)	(489,831)
Legal fees		(38,735)	(12,094)
Travel and marketing		(104,062)	(100,896)
Depreciation		(3,153,840)	-
Net gain/loss on financial instruments at fair value through profit or loss		568,856	(954,425)
<b>Total Expenses</b>		<b>(8,157,986)</b>	<b>(5,356,093)</b>
<b>Operating Profit/(loss)</b>		<b>609,598</b>	<b>(5,350,569)</b>
Finance costs		(2,380,525)	(871,123)
Finance income		124,954	146,155
<b>Loss before tax</b>		<b>(1,645,973)</b>	<b>(6,075,537)</b>
Income tax expense		-	-
<b>Loss after income tax expense attributable to the owners of Genex Power Limited</b>		<b>(1,645,973)</b>	<b>(6,075,537)</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net (loss) on cash flow hedges	5	(938,381)	(85,128)
<b>Total comprehensive loss for the year attributable to the owners of Genex Power Limited</b>		<b>(2,584,354)</b>	<b>(6,160,665)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.54)	(2.11)
Diluted earnings per share		(0.54)	(2.11)

**Genex Power Limited**  
**Interim condensed consolidated statement of financial**  
**position**

**As at**

		<b>31 December 2018</b>	<b>30 June 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	8,459,271	10,994,349
Trade and other receivables	8	1,490,059	861,524
Inventory		-	692,417
Prepayments		746,882	169,333
		<b>10,696,212</b>	<b>12,717,623</b>
<b>Non-Current Assets</b>			
Bank Guarantee	8	4,552,029	4,498,796
Property, Plant and Equipment	7	119,822,950	118,431,013
		<b>124,374,979</b>	<b>122,929,809</b>
<b>Total Assets</b>		<b>135,071,191</b>	<b>135,647,432</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	709,051	1,475,197
Short term interest accrued		254,670	127,901
Interest-bearing loans and borrowings	8	3,859,292	2,429,268
Government grant		442,500	442,500
Provisions		135,594	117,057
		<b>5,401,107</b>	<b>4,591,923</b>
<b>Non-Current Liabilities</b>			
Long term interest accrued		477,415	340,451
Interest-bearing loans and borrowings	8	96,258,895	97,266,305
Convertible notes		3,350,542	2,412,840
Government Grant		7,965,000	8,188,068
Other non-current financial liabilities	8	4,695,092	3,747,433
Rehabilitation and restoration provision		3,820,200	3,820,200
		<b>116,567,144</b>	<b>115,775,297</b>
<b>Total Liabilities</b>		<b>121,968,251</b>	<b>120,367,220</b>
<b>Net Assets</b>		<b>13,102,940</b>	<b>15,280,212</b>
<b>Equity</b>			
Share capital		39,955,299	39,955,299
Option reserves		2,193,710	1,786,628
Cash flow hedge reserve		(2,605,344)	(1,666,963)
Accumulated losses		(26,440,725)	(24,794,752)
<b>Total Equity</b>		<b>13,102,940</b>	<b>15,280,212</b>



**Genex Power Limited**  
**Interim condensed consolidated statement of changes in equity**  
**For the 6 months ended 31 December 2018**

	Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
<b>Balance at 1 July 2018</b>		39,955,299	1,786,628	(1,666,963)	(24,794,752)	15,280,212
Loss after income tax		-	-	-	(1,645,973)	(1,645,973)
Total comprehensive loss for period		39,955,299	1,786,628	(1,666,963)	(26,440,725)	13,634,239
Cash flow hedge reserve		-	-	(938,381)	-	(938,381)
Share-based payments		-	407,082	-	-	407,082
<b>Balance at 31 December 2018</b>		<b>39,955,299</b>	<b>2,193,710</b>	<b>(2,605,344)</b>	<b>(26,440,725)</b>	<b>13,102,940</b>

**Genex Power Limited**  
**Interim condensed consolidated statement of changes in equity (continued)**  
**For the 6 months ended 31 December 2017**

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

**Genex Power Limited**

**Interim condensed consolidated statement of cash flows**

**For the 6 months ended 31 December 2018**

	Notes	31 December 2018	31 December 2017
		\$	\$
<b>Cashflow from Operating Activities</b>			
Receipts from customers		9,010,993	5,524
Payments to suppliers		(5,525,496)	(9,666,980)
Payments to employees		(1,121,412)	(1,097,737)
Interest received		124,954	146,155
Interest paid		(2,116,791)	(1,676,394)
<b>Net cash utilised by operating activities</b>		<b>372,248</b>	<b>(12,289,432)</b>
<b>Cashflow from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(4,845,776)	(68,298,562)
Funds invested into a term deposit/bank guarantee		-	(12,000)
<b>Net cash used in investing activities</b>		<b>(4,845,776)</b>	<b>(68,310,562)</b>
<b>Cashflow from Financing Activities</b>			
Proceeds from issue of shares		-	332,040
Proceeds from issue of convertible bonds		1,515,836	411,010
Proceeds from borrowings		422,614	76,942,494
<b>Net cash from financing activities</b>		<b>1,938,450</b>	<b>77,685,544</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,535,078)</b>	<b>(2,914,450)</b>
Cash and Cash equivalent at the beginning of the financial year		10,994,349	11,088,539
<b>Cash and Cash equivalents at the end of the financial year</b>		<b>8,459,271</b>	<b>8,174,089</b>

## **Note 1. Corporate information**

The interim condensed consolidated financial statements of Genex Power Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 February 2019.

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

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

### **2.1 Basis of preparation**

The interim condensed consolidated financial statement for the six months ended 31 December 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2018.

### **2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **AASB 15 Revenue from Contracts with Customers**

AASB 115 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. In the prior year revenue from the sale of electricity and environmental products was recognised in accordance with AASB 118 *Revenue* which was when the significant risks and rewards of ownership of the products have passed to the buyer and Genex has the right to be compensated. For the current period, revenue for the sale of electricity and environmental products was recognised in July 2018 in accordance with AASB 15 *Revenue from Contracts with Customers*. Based on the analysis performed by the Genex there was no change in the way revenue is recognised between AASB 118 and AASB 15. From July 2018 to 31 December 2018, the 150 Support Deed was in effect. Revenue under this agreement has been treated as lease income by management which is outside the scope of AASB 15. The application of AASB 15 did not have a material effect on the financial results of the Group. Some additional disclosure will be provided in the 30 June 2019 full-year financial report.

## **AASB 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018 for the Group, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied under IAS 39, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 and did not restate comparative.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Genex continues to apply hedge accounting under AASB 139 for interest rate swap entered into in 2017.

The Group assessed these financial assets as at 1 July 2018 for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective customers.

The Group measures loss allowances on trade receivables using a life-time expected loss model. The Group has applied the simplified approach to measuring expected credit losses. The Group uses judgement in making the assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates.

The Group has determined that the allowance for expected credit losses on trade receivables and other assets carried at amortised cost was immaterial.

The other assets carried at amortised cost include cash and bank guarantee.

In accordance with the transitional provisions in AASB 9, the adjustments arising from the new impairment rules are recognised in the opening balance sheet on 1 July 2018. Based on the analysis performed by the Group there was no change or adjustment recorded as at transition date or at 31 December 2018.

## **AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions**

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

## **2.3 Going concern**

The interim condensed consolidated financial statement for the six months ended 31 December 2018 have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business, for a period of at least 12 months from the date that these financial statements are approved.

### Note 3. Segment Information

Management has determined that the consolidated entity has one reportable segment; the development of Renewable projects in Australia for the 6 months ended 31 December 2018.

### Note 4. Revenue

	For the 6 months ended 31 December	
	2018	2017
	\$	\$
Sale of electricity	196,076	-
LGC Revenue	680,742	-
Solar 150 Revenue <sup>1</sup>	5,237,490	-
<b>Sale of electricity and environmental products</b>	<b>6,114,308</b>	<b>-</b>
Liquidated damages <sup>2</sup>	2,360,000	-
Other income	65,944	-
Government Grant	223,068	-
Fuel tax credit	4,264	5,524
<b>Other income</b>	<b>2,653,276</b>	<b>5,524</b>
<b>Total Revenue</b>	<b>8,767,584</b>	<b>5,524</b>

<sup>1</sup>Revenue earned under the Solar 150 price support deed between Genex and the Queensland government, where all electricity and LGCs generated by KS1 are sold to the Queensland government subject to a fixed floor price.

<sup>2</sup>Liquidated damages refer to payments made by UGL to Genex Power for the delay in reaching practical completion of KS1 as described in the EPC contract.

### Note 5: Components of Other Comprehensive Income

	For the 6 months ended 31 December	
	2018	2017
	\$	\$
Cash flow hedges:		
Gains arising during the half year		
Currency forward contract	-	3,415
	-	3,415
Interest rate swaps:	(938,381)	(88,543)
	(938,381)	(88,543)
	(938,381)	(85,128)

**Genex Power Limited**  
**Notes to the consolidated financial statements**  
**For the 6 months ended 31 December 2018**

**Note 6. Cash and cash equivalents**

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Cash at bank	8,459,271	10,994,349
Cash and cash equivalents	<b>8,459,271</b>	<b>10,994,349</b>

**Note 7. Property, Plant and Equipment**

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Land	175,000	175,000
Kidston Solar Project	115,493,949	114,304,734
Pre-development assets	3,918,778	3,918,777
Kidston Site Office	205,935	-
Leasehold Improvements	29,288	32,502
	<b>119,822,950</b>	<b>118,431,013</b>

All assets associated with the Kidston Solar Farm have been pledged as security to the senior lenders as part of the \$100.1 million senior debt facility.

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

**Financial assets**

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>Financial assets at amortised cost</b>		
Trade and other receivables	1,490,059	861,524
Bank guarantee	4,552,029	4,498,796
<b>Total financial assets</b>	<b>6,042,088</b>	<b>5,360,320</b>
<b>Total current</b>	<b>1,490,059</b>	<b>861,524</b>
<b>Total non-current</b>	<b>4,552,029</b>	<b>4,498,796</b>

Genex Power Limited  
Notes to the consolidated financial statements  
For the 6 months ended 31 December 2018

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

	Weighted average interest rate %	Maturity \$	31 December 2018 \$	30 June 2018 \$
<b>Non-derivatives</b>				
<i>Non-interest bearing</i>				
Trade and other payables	N/A	N/A	709,051	1,475,197
<i>Interest-bearing – fixed rate</i>				
Senior Bank Loan	4.815%	28 November 2023	100,118,187	99,695,573
Total non-derivatives			100,827,238	101,170,770

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

There have been no amounts pledged as collateral.

**Other financial liabilities**

	31 December 2018 \$	30 June 2018 \$
<b>Derivatives not designated as hedging instruments</b>		
Embedded derivatives	2,089,748	2,080,470
<b>Derivatives designated as hedging instruments</b>		
Interest rate swaps	2,605,344	1,666,963
<b>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</b>		
Trade and other payables	709,051	1,475,197
<b>Total financial liabilities</b>	<b>5,404,142</b>	<b>5,222,630</b>
<b>Total current</b>	<b>709,051</b>	<b>1,475,197</b>
<b>Total non-current</b>	<b>4,695,092</b>	<b>3,747,433</b>



## Risk management activities

### Cash flow hedges for interest rate risks

The Group designated foreign interest rate swap contracts as hedges for long term loan financing for the construction of the KS1 project. The loan was fully drawn down in December 2018.

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

As at 31 December 2018, an unrealised loss \$2,605,344 relating to the interest rate swap is included in other comprehensive income.

## Note 9. Fair value measurement

The following table provides the fair value measurement hierarchy of the Consolidated Entity's assets and liabilities

### Fair value measurement hierarchy for liabilities as at 31 December 2018:

Fair value measurement hierarchy for liabilities as at 31 December 2018:					
	Date of valuation	Total	Fair value measurement using		
			Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swaps	31 December 2018	2,605,344	-	2,605,344	-
Embedded derivatives	31 December 2018	2,089,747	-	2,089,747	-

### Fair value measurement hierarchy for liabilities as at 30 June 2018:

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

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, 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 31 December 2018, the marked-to-market value of derivative positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

**Genex Power Limited**  
**Notes to the consolidated financial statements**  
**For the 6 months ended 31 December 2018**

The conversion right and early redemption option embedded in the convertible notes are measured using Ho-Pfeffer ("HP") binomial pyramid model (Residual approach) with the spot price of the consolidated entity's own share, expected volatility and expected dividend yield of the share, risk free interest rate and asset default threshold as the key inputs.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 31 December 2018.

***Fair value hierarchy***

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

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

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

**Note 10. Share-based payments**

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

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
Expense arising from equity-settled share-based payment transactions	407,082	72,963
<b>Total expense arising from share-based payment transactions</b>	<b>407,082</b>	<b>72,963</b>

There were no cancellations or modifications to the awards in FY19 or FY18

For the six months ended 31 December 2018, the Group has recognised \$407,082 of share-based payment expense in the statement of profit or loss (31 December 2017: \$72,963).

**Note 11. Commitments and contingencies**

**Operating lease commitments – the consolidated entity as lessee**

The consolidated entity has entered into operating lease on the office at O'Connell Street where its head office resides. The minimum commitment on the remainder of the lease is \$254,163 (30 June 2018 \$361,465)

**Capital commitments**

At 31 December 2018, the consolidated entity had no capital commitments (30 June 2018: \$2,884,047) relating to the completion of the Kidston Solar Phase One Project.

**Note 12. Related party transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless the terms and conditions disclosed below state otherwise.

**Note 13. Events after the reporting year**

There have been no other material events or circumstances which have arisen since 31 December 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years, other than the capital raising of \$2.125m announced on 8 February 2019.

#### 4. DIRECTOR'S DECLARATION

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

1. In the opinion of the directors:

- (a) the financial statements and notes of Genex Power Limited for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - ii. complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



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Ben Guo  
Director

28 February 2019  
Sydney

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Genex Power Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim condensed consolidated statement of financial position as at 31 December 2018, the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the interim condensed consolidated financial position of the Group as at 31 December 2018 and of its interim condensed consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

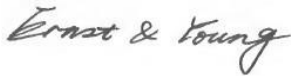
#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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



Ernst & Young



Lynn Morrison  
Partner  
Sydney  
28 February 2019

## 6. CORPORATE DIRECTORY

### DIRECTORS

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