Half-Yearly Report

For the 6 month period ended 31 December 2019

ABN 18 152 098 854

CONTENTS

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 2019 (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
Ben Guo
Simon Kidston
Teresa Dyson

Principal activities
The consolidated entity's principal activities during the period comprised the development of the Kidston Energy Hub in Far North Queensland (**FNQ**), the operation of the 50MW Kidston Solar Farm (**KS1**) and the development of the Jemalong Solar Project (**JSP**) in New South Wales.

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
The principal milestone achieved by the Company during the period was reaching financial close on JSP in December 2019. This is the Company's second solar farm and will be developed in NSW near the town of Forbes. Genex executed an Engineering Procurement and Construction (**EPC**) Contract with Beon Energy Solutions for JSP. Construction for the project has commenced and first generation is expected in Q4 CY2020. The project financing for JSP also included a refinancing of KS1 in far north Queensland. The total loan size was $175m provided by senior lenders; DZ bank, Nord LB and Westpac.

In relation to the 250MW Kidston Pumped Storage Hydro Project (**K2-Hydro**) at the Kidston Clean Energy Hub, during the period, the Queensland Government announced their intention to provide funding of up to $132m towards the construction of a 186km single-circuit transmission line from Kidston to Mount Fox *(refer ASX Announcement of 4 September 2019)*.

In November 2019, EnergyAustralia (**EA**) announced that they would not be in a position to reach a positive investment decision on the basis of the long term energy agreement which had previously been progressing through the due diligence and finalisation stages *(refer ASX Announcement of 1 November 2019)*. Subsequent to the announcement from EA, Genex received support from key stakeholders in the project. The Northern Australian Infrastructure Facility (**NAIF**) approved the extension of their funding offer of up to $610m through a long term concessional NAIF debt facility to 30 June 2020 *(refer ASX Announcement of 13 November 2019)*. Electric Power Development Co Ltd trading as J-POWER (**J-POWER**) signed a new Memorandum of Understanding (**MOU**). The MOU replaced the original document signed on 6 June 2019. The MOU, under the same terms and conditions, has been extended to 31 December 2020 *(refer ASX Announcement of 22 November 2019)*.

The expected financial close for K2-Hydro in H2 CY2019 was delayed as a result of EA being unable to secure board approval from their parent company for the proposed offtake agreement. The offtake agreement is currently being modified to ensure it aligns with both EA's requirements whilst still supporting the required project finance structure for K2-Hydro.

During the period, KS1 generated 56,380MWh into the National Electricity Market (**NEM**) in the 6 months to December 2019. The lower than expected generation was due to a plant outage in October which was caused by a software issue as previously noted in the Company's Quarterly Report to the end of December *(refer ASX Announcement of 30 January 2020)*. This has since been rectified and the plant is now operating at full capacity.

During the period, Genex drew down $1,066,565 from the Convertible Note facility pursuant to the second ARENA Funding Agreement executed with the Australian Renewable Energy Agency (**ARENA**).

The Consolidated Entity generated an operating loss of $6,283,755 for the half year ended 31 December 2019 (including $5,014,238 of depreciation expenses) , which is a decrease of $6,893,353 based on the profit of $609,598 (including $3,153,840 of depreciation expenses) for the half year period ended 31 December 2018.

Matters subsequent to the end of the year

There have been no other material events or circumstances which have arisen since 31 December 2019 that have significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Loss per share

The loss per share for Genex Power Limited for the period was 2.00 cents per share (December 2018 0.54 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 2019 was $8,448,451. The Directors of Genex have resolved not to recommend a dividend for the period ended 31 December 2019.

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

27 February 2020
Sydney

Ernst & Young Services Pty Limited
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Auditor's Independence Declaration to the Directors of Genex Power Limited

As lead auditor for the review of the half-year financial report of Genex Power Limited for the half-year ended 31 December 2019, 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

Ernst & Young

Lynn Morrison
Partner
27 February 2020

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Contents

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 27 February 2020. 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 2019

	Notes	31 December 2019	31 December 2018
		$	$
Revenue			
Sale of electricity and environmental products and lease income	4	4,462,532	6,114,308
Other income	4	478,872	2,653,276
		4,941,404	**8,767,584**
Expenses			
Project costs		(1,539,573)	(2,353,065)
Salary expenses		(1,444,916)	(1,139,949)
Share-based Payment		(2,361,372)	(407,082)
Administrative expenses		(732,914)	(561,931)
Compliance cost and regulatory fees		(197,232)	(75,373)
Consulting costs		(430,038)	(892,805)
Legal fees		(17,372)	(38,735)
Travel and marketing		(153,216)	(104,062)
Depreciation		(5,014,238)	(3,153,840)
Net gain/loss on financial instruments at fair value through profit or loss		665,712	568,856
Total Expenses		**(11,225,159)**	**(8,157,986)**
Operating Profit/(Loss)		**(6,283,755)**	**609,598**
Finance costs		(2,255,776)	(2,380,525)
Finance income		91,080	124,954
Loss before tax		**(8,448,451)**	**(1,645,973)**
Income tax expense		-	-
Loss after income tax expense attributable to the owners of Genex Power Limited		**(8,448,451)**	**(1,645,973)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Net (loss) on cash flow hedges	5	(1,274,439)	(938,381)
Total comprehensive loss for the year attributable to the owners of Genex Power Limited		**(9,722,891)**	**(2,584,354)**
		Cents	**Cents**
Basic earnings per share		(2.00)	(0.54)
Diluted earnings per share		(2.00)	(0.54)

Genex Power Limited
Interim condensed consolidated statement of financial position

As at 31 December 2019

	Note	31 December 2019	30 June 2019
Assets		**$**	
Current Assets			
Cash and cash equivalents	6	17,576,142	3,462,806
Trade and other receivables	8	1,753,377	1,954,803
Prepayments		267,471	199,436
		19,596,990	**5,617,045**
Non-Current Assets			
Bank Guarantee	8	4,717,388	4,608,679
Intangible Asset	7	-	5,795,377
Property, Plant and Equipment	7	141,957,398	118,498,979
		146,674,786	**128,903,035**
Total Assets		**166,271,776**	**134,520,080**
Liabilities			
Current Liabilities			
Trade and other payables	8	1,089,824	2,250,602
Short term interest accrued		409,924	247,542
Interest-bearing loans and borrowings	8	4,048,025	4,570,770
Government grant		442,500	442,500
Provisions		239,564	203,473
		6,229,837	**7,714,887**
Non-Current Liabilities			
Long term interest accrued		873,897	657,034
Interest-bearing loans and borrowings	8	112,634,057	94,353,392
Convertible notes		5,739,583	4,755,578
Government Grant		7,522,500	7,745,568
Other non-current financial liabilities	8	7,675,807	6,984,520
Provisions		48,092	42,867
Rehabilitation and restoration provision		3,820,200	3,820,200
		138,314,136	**118,359,159**
Total Liabilities		**144,543,973**	**126,074,046**
Net Assets		**21,727,804**	**8,446,034**
Equity			
Share capital		62,542,337	41,899,049
Option reserves		4,539,841	2,178,469
Cash flow hedge reserve		(6,633,240)	(5,358,801)
Accumulated losses		(38,721,134)	(30,272,683)
Total Equity		**21,727,804**	**8,446,034**

Genex Power Limited
Interim condensed consolidated statement of changes in equity
For the 6 months ended 31 December 2019

	Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
Balance at 1 July 2019		41,899,049	2,178,469	(5,358,801)	(30,272,683)	8,446,034
Loss after income tax		-	-	-	(8,448,451)	(8,448,451)
Total comprehensive loss for period		41,899,049	2,178,469	(5,358,801)	(38,721,134)	(2,417)
Cash flow hedge reserve		-	-	(1,274,439)	-	(1,274,439)
Shares issued during the period net issue costs		20,643,288	-	-	-	20,643,288
Share-based payments		-	2,361,372	-	-	2,361,372
Balance at 31 December 2019		**62,542,337**	**4,539,841**	**(6,633,240)**	**(38,721,134)**	**21,727,804**

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

	Notes	Issued Capital	Options Reserves	Cash flow hedge reserve	Accumulated Losses	Total Equity
Balance at 1 July 2018		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
Balance at 31 December 2018		**39,955,299**	**2,193,710**	**(2,605,344)**	**(26,440,725)**	**13,102,940**

Genex Power Limited
Interim condensed consolidated statement of cash flows
For the 6 months ended 31 December 2019

	Notes	31 December 2019	31 December 2018
		$	$
Cashflow from Operating Activities			
Receipts from customers		4,321,117	9,010,993
Payments to suppliers		(4,682,494)	(5,525,496)
Payments to employees		(1,604,223)	(1,121,412)
Interest received		91,080	124,954
Interest paid		(1,945,726)	(2,116,791)
Net cash utilised by operating activities		**(3,820,246)**	**372,248**
Cashflow from Investing Activities			
Purchase of Property, Plant and Equipment		(18,163,773)	(4,845,776)
Funds invested into Term Deposit/Bank Guarantee		(108,710)	-
Net cash used in investing activities		**(18,272,483)**	**(4,845,776)**
Cashflow from Financing Activities			
Proceeds from issue of shares		20,479,279	-
Proceeds from issue of convertible bonds		1,066,565	1,515,836
Proceeds from borrowings		18,454,710	422,614
Repayment from borrowing		(2,665,267)	-
Transaction cost from borrowing		(1,129,222)	-
Net cash from financing activities		**36,206,065**	**1,938,450**
Net increase in cash and cash equivalents		**14,113,336**	**(2,535,078)**
Cash and Cash equivalent at the beginning of the financial year		3,462,806	10,994,349
Cash and Cash equivalents at the end of the financial year		**17,576,142**	**8,459,271**

Note 1. Corporate information

The interim condensed consolidated financial statements of Genex Power Limited and its subsidiaries (collectively, Consolidated Entity) for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 27 February 2020.

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

Note 2. Basis of preparation and changes to Consolidated Entity's accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statement for the six months ended 31 December 2019 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 Consolidated Entity's annual financial statements as at 30 June 2019.

The following standards, applicable from 1 July 2019, have been adopted by Consolidated Entity.

- AASB 16 Leases.

The impact of the adoption of the leasing standard is disclosed in Note 13.

2.2 New standards, interpretations and amendments adopted by Consolidated Entity

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of 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. Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements.

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 2019.

Note 4. Revenue

	For the 6 months ended 31 December	
	2019	**2018**
	$	**$**
Sale of electricity	-	196,076
LGC Revenue	-	680,742
Lease Revenue[1]	4,462,532	5,237,490
Sale of electricity and environmental products	**4,462,532**	**6,114,308**
Liquidated damages[2]	-	2,360,000
Other income	255,804	65,944
Government Grant	223,068	223,068
Fuel tax credit	-	4,264
Other income	**478,872**	**2,653,276**
Total Revenue	**4,941,404**	**8,767,584**

[1]Revenue earned under the Lease Revenue 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.

[2]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	
	2019	**2018**
	$	**$**
Interest rate swaps	(1,274,439)	(938,381)

Note 6. Cash and cash equivalents

	31 December 2019	30 June 2019
	$	**$**
Cash at bank	17,576,142	3,462,806
Cash and cash equivalents	**17,576,142**	**3,462,806**

Note 7. Property, Plant and Equipment

	31 December 2019 $	30 June 2019 $
Land & Site Office	380,935	380,935
Kidston Solar Project	107,417,001	112,283,832
Jemalong Solar Project	23,323,089	-
Pre-development assets	3,918,777	3,918,777
ROU	2,966,441	-
Leasehold Improvements	21,848	23,879
Hydro Development	3,929,307	1,891,556
	141,957,398	**118,498,979**

All assets associated with KS1 and JSP have been pledged as security to the senior lenders as part of the $175 million senior debt facility. Since construction started, intangible asset of 5,795,377 was moved to PPE.

Note 8: Financial assets and financial liabilities

Financial assets

	31 December 2019 $	30 June 2019 $
Financial assets at amortised cost		
Trade and other receivables	1,753,377	1,954,803
Bank guarantee	4,717,388	4,608,679
Total financial assets	**6,470,765**	**6,563,482**
Total current	**1,753,377**	**1,954,803**
Total non-current	**4,717,388**	**4,608,679**

Financial liabilities: interest-bearing loans and borrowings

	Weighted average interest rate %	Maturity $	31 December 2019 $	30 June 2019 $
Non-derivatives				
Non-interest bearing				
Trade and other payables			1,089,824	2,250,602
Interest-bearing – fixed rate				
Lease Liability				
Current			195,663	
Noncurrent			2,860,416	
Senior Bank Loan including establishment Fee	3.38%	17 January 2025		
Current			3,852,362	4,570,770
Noncurrent			93,241,188	94,353,392
CEFC Loan including establishment fee - Noncurrent			16,532,453	
Total non-derivatives			**117,771,906**	**101,174,764**

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 2019 $	30 June 2019 $
Derivatives not designated as hedging instruments		
Embedded derivatives	1,042,567	1,625,719
Derivatives designated as hedging instruments		
Interest rate swaps	6,633,240	5,358,801
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	1,089,824	2,250,602
Total financial liabilities	**8,765,631**	**9,235,122**
Total current	**1,089,824**	**2,250,602**
Total non-current	**7,675,807**	**6,984,520**

Risk management activities

Cash flow hedges for interest rate risks
During the period, Consolidated Entity designated foreign interest rate swap contracts as hedges for long term loan financing for the construction of the JSP and KS1 project refinancing.

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 Consolidated Entity's own credit risk). Consequently, the hedges were assessed to be highly effectively.

As at 31 December 2019, an unrealised loss $1,274,439 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 2019:

			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	31 December 2019	6,633,240	-	6,633,240	-
Embedded derivatives	31 December 2019	1,042,567	-	1,042,567	-

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

			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 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, 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 2019, the marked-to-market value of derivative positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 31 December 2019.

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, 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.

Note 10. Share-based payments

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

	31 December 2019 $	**31 December 2018 $**
Expense arising from equity-settled share-based payment transactions	2,361,372	407,082
Total expense arising from share-based payment transactions	**2,361,372**	**407,082**

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

For the six months ended 31 December 2019, Consolidated Entity has recognised $2,361,372 of share-based payment expense in the statement of profit or loss (31 December 2018: $407,082).

Note 11. Commitments and contingencies

Capital commitments
At 31 December 2019, the consolidated entity has committed capital of $79,796,669.

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. Adoption of AASB16 Leases

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

Transition

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.

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 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. Consolidated Entity's incremental borrowing rate applied on 1 July 2019 was 5%.
Impact for the period 31 December 2019

As a result of initially applying AASB 16, Consolidated Entity has recognised $2,966,442 right-of-use assets and a lease liability of $3,056,079. Right-of-use assets and lease liabilities are classified as property, plant and equipment and interest-bearing liabilities in the interim statement of financial position respectively.

Consolidated Entity has also recognised $140,968 of depreciation charges and $44,623 of interest costs from these leases instead of operating lease expense. For purposes of presentation in the interim statement of cash flows within financing activities, the lease payments are separated into principal repayments of $95,956 million and interest payments of $44,623.

Summary of new accounting policies

Right-of-use assets

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 Consolidated Entity 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, Consolidated Entity 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, Consolidated Entity 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

Consolidated Entity 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

Consolidated Entity 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.

Consolidated Entity has the option, under some of its leases to lease the assets for additional terms of three to five years. Consolidated Entity 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, Consolidated Entity 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 14. Events after the reporting year

There have been no other material events or circumstances which have arisen since 31 December 2019 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.

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 2019 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 2019 and of its performance for the half-year ended on that date; and
      ii. complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

____

Ben Guo
Director

27 February 2020
Sydney

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Genex Power Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 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.

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Independence

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

Ernst & Young

Lynn Morrison
Partner
Sydney
27 February 2020

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

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PRINCIPAL BANKERS
National Australia Bank