



2021 Annual Report

GENEX POWER...

CLEAN ENERGY ON DEMAND...

Genex Power Limited is an Australian company listed on the ASX (trading under the code 'GNX'), focused on generation and storage of renewable energy. Genex has a portfolio of operating and development renewable assets. The flagship projects are located at the Company's clean energy hub at Kidston in north Queensland, integrating large-scale solar with pumped storage hydro. The Genex 'Kidston Clean Energy Hub' is a world first, innovative integration of intermittent solar energy with large scale energy storage creating "Renewable Energy On Tap".

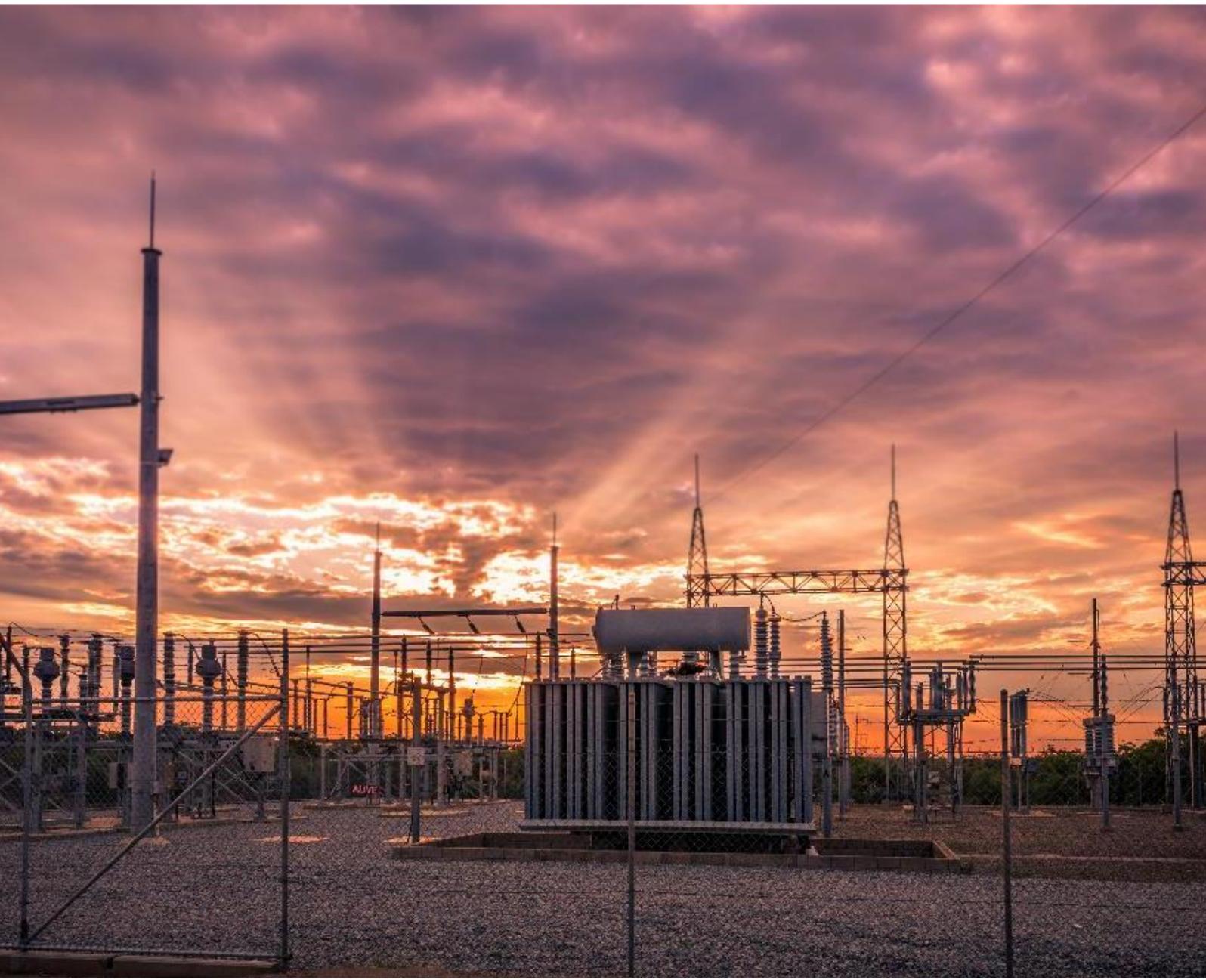


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1. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors of Genex Power Limited (**Genex or Company**), it is with great pleasure that I present to you the Annual Report for the 2021 Financial Year (**FY21**), a year in which the Company commenced construction on our flagship Kidston Pumped Hydro Project (**K2-Hydro**) and continued to execute on our strategy of building a diversified renewable energy and storage company.

FY21 – A landmark year

The past financial year was one of significant achievements for the Company as we energised the 50MW Jemalong Solar Project (**JSP**) and commenced construction on our flagship K2-Hydro Project. The development of these projects, coupled with our existing 50MW Kidston Solar Project (**KS1**) and extensive growth portfolio, position the Company as a leader in the renewable energy generation and storage markets in Australia.

The K2-Hydro project reached financial close during Q4 FY21. Genex has been working towards this important milestone for over five years, and I would like to thank all our stakeholders for their support as well as the team at Genex for their tireless work in reaching this significant event. K2-Hydro is now fully funded through to completion with commissioning planned to begin in late CY24. Construction activities commenced on-site some four months ago. Over the next three and a half years, we will work closely with our Engineering, Procurement and Construction (**EPC**) delivery partners: John Holland, McConnel Dowell and ANDRITZ Hydro GmbH to deliver the project to the point where K2-Hydro commences generation into the National Electricity Market (**NEM**).

The energisation of the JSP in December 2020 represented our second revenue earning renewable energy project and further demonstrated our track record of project delivery. Beon was our EPC delivery partner for this project. The Jemalong solar farm is now fully commissioned and operating as a merchant generator connected to the NEM. JSP has the potential to deliver a significant step change in the Company's revenue from FY22 onwards. Meanwhile, our 50MW solar farm at Kidston, KS1, continued to perform well across FY21, generating clean renewable energy into the NEM.

In terms of our pipeline of portfolio projects, Genex's Bouldercombe Battery Project (**BBP**) in Queensland continues to progress with land being secured and discussions with potential lenders and strategic investors currently underway. The BBP diversifies the Company's portfolio and further positions Genex as a leader in renewable energy generation and storage in Australia.

Further diversifying the project portfolio, the Kidston Wind Project (**K3-Wind**) continues to advance with the Company, and our joint venture partner J-POWER, modelling the wind resource at a number of sites surrounding the Kidston Clean Energy Hub. Energy generated by K3-Wind will flow into the NEM via the new 275kV transmission line being constructed by Powerlink Queensland as part of the K2-Hydro project and is planned for completion in mid CY25.



By 2025, our portfolio of renewable power projects will generate enough clean energy to meet the needs of over 350,000 homes, removing almost two million tonnes per annum of carbon dioxide from our country's emission profile and will be crucial in assisting the Queensland Government meet its 50% renewable energy target by 2030.

J-POWER Investment

Following approval at the Extraordinary General Meeting of Genex shareholders (**EGM**) held on 29th April, J-POWER became a substantial shareholder in the Company with their \$25M investment into Genex. J-POWER is providing valuable technical expertise to the K2-Hydro project. We have further extended our relationship with J-POWER by Genex and J-POWER becoming JV partners for the K3-Wind project. The strategic relationship between our companies, and J-POWER's direct investment, has resulted in the appointment of a J-POWER representative to the Genex Board of Directors, Kenichi Seshimo, who we welcomed to the Board in May this year.

Ongoing support from our key Stakeholders

I would like to acknowledge the ongoing strong support Genex has received from a number of Federal and Queensland State Government entities. The Australian Renewable Energy Agency (**ARENA**) continues to support Genex via the provision of grants towards our projects. In particular we recognise the Northern Australia Infrastructure Facility (**NAIF**) and their investment decision to offer finance to K2-Hydro which was pivotal in enabling Genex to reach financial close for K2-Hydro. I would also like to acknowledge the Queensland State Government for their commitment to a 20-year revenue support deed for KS1, for funding of \$147M towards the construction of the 275kV transmission line between Mt Fox and Kidston and for recognising and designating the Kidston Clean Energy Hub as 'Critical Infrastructure' to the State. The significant and ongoing support from stakeholders reflects the growing focus on renewable energy generation and storage in Australia which, in turn, provides significant growth opportunities for Genex.

Our people, communities and the environment

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

Here at Genex, we have a strong focus on local community support, diversity and indigenous engagement within our workforce. At the recently commissioned JSP, 151 new jobs were created of which 68% were local, 22% were women and 11% were indigenous. At K2-Hydro, over 800 additional jobs will be created, and we are committed to ensuring we continue to focus on diversity within our workforce.

Outlook for FY22

Since listing on the ASX in July 2015, we have constructed 100MW of solar energy capacity, secured over \$1 billion in renewable energy funding, and commenced construction on the first pumped hydro project to be built in Australia in 40 years. These are impressive achievements that would not have been made possible without the hard work and dedication of our team.

Genex's immediate focus will be on the construction activities currently underway at K2-Hydro and the advancement of our medium-term growth projects, the BBP and K3-Wind. The delivery of these projects will further position Genex as a leader in the Australian renewables and energy storage market.

Finally, on behalf of the Board, I would like to thank all shareholders for their continued support over the last year, particularly those who participated in our two capital raisings to fund the development of the BBP and to reach financial close for K2-Hydro, and I also extend a warm welcome to all new shareholders that have joined us on our journey.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R Craven', written in a cursive style.

Dr Ralph Craven
Non-Executive Chairman

2. CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

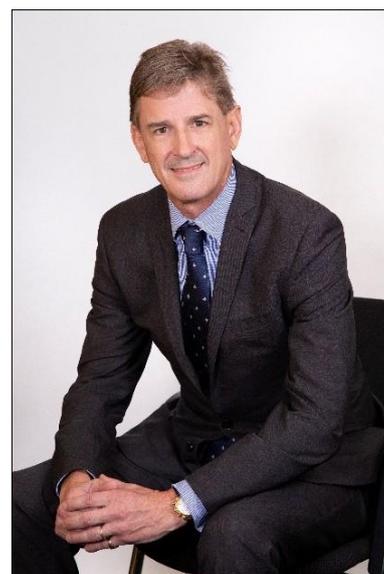
Company Overview

As Genex's Chief Executive Officer, I am pleased to present the Review of Operations for FY21, a year in which Genex achieved its most significant milestone in the Company's history, namely financial close and commencement of construction at the Company's flagship Kidston Pumped Storage Hydro Project. This is a major step towards our goal of becoming Australia's leading listed renewable energy and storage company.

Following Genex's \$90m capital raising launched in March this year, and J-POWER's subsequent \$25m investment in the Company, Genex reached financial close for K2-Hydro in May. This included the execution of all construction and finance documentation to enable K2-Hydro to be fully funded. With over four months of construction activity already under our belt at the time of writing and activities now rapidly ramping up at site, Genex is firmly focussed on the delivery of this project, with commissioning and energisation to commence in late 2024. When in operation, K2-Hydro will be the first pumped hydro project to be constructed in Australia in 40 years and the third largest electricity storage facility. Attainment of these key milestones constitutes a truly significant and remarkable achievement for Genex.

The key achievements delivered by Genex over FY21 extend well beyond the funding and commencement of construction at K2-Hydro and include the development of the Bouldercombe Battery Project and K3-Wind Project in Queensland, and the energisation and entry into commercial operation of the Jemalong Solar Project in New South Wales. On the financial and corporate front, Genex also executed two successful capital raisings and appointed a new director, Mr Kenichi Seshimo, of J-POWER.

Clearly, it has been an extremely busy and productive year for Genex. At the outset I would like to acknowledge and pay warm tribute to the tireless input of all of our staff, in often difficult conditions due to the COVID-19 pandemic, for their efforts and contribution to what has been a transformative year for our company. Just some of the key achievements are outlined in a selection of our more significant ASX announcements detailed below.



| DATE | KEY ANNOUNCEMENT |
|--|---|
| <u>Kidston Pumped Storage Hydro Project</u> | |
| 20 May 2021 | Genex Achieves Financial close for Kidston Hydro |
| 29 April 2021 | EGM Approves J-POWER Investment – Timeline to Financial Close |
| 28 April 2021 | Construction commences at Kidston Hydro Project |
| 15 April 2021 | GNX Reaches Finance Document Contractual Close for Hydro |
| 31 March 2021 | Project reaches Project Document Contractual close for Hydro |
| 24 March 2021 | GNX Launches \$90M Underwritten Raising for Kidston Hydro |
| 24 March 2021 | \$47M Arena Offer of Funding |

| | |
|--|--|
| 23 March 2021 | Connection Agreement with Powerlink for Kidston Hydro signed |
| 5 February 2021 | \$147M Qld Government Transmission Line Funding Package |
| 3 August 2020 | Genex signs A\$25M Subscription Agreement with J-POWER |
| <u>Jemalong Solar Project</u> | |
| 9 December 2020 | GNX Achieves First Energisation of Jemalong Solar Project |
| <u>Bouldercombe Battery Project</u> | |
| 22 September 2020 | Genex Battery Project Update |
| <u>Kidston Wind Project</u> | |
| 30 November 2020 | Development Agreement with J-POWER for Kidston Wind Project |
| <u>Financial & Corporate</u> | |
| 18 May 2021 | Appointment of Kenichi Seshimo as a Director |
| 24 March 2021 | GNX Launches \$90m Underwritten Raising for Kidston Hydro |
| 26 February 2021 | H1 FY2021 Half Year Accounts |
| 18 November 2020 | Chairman's AGM Address to Shareholders |
| 27 August 2020 | Annual Report to Shareholders |
| 10 August 2020 | Genex Raises \$21.276M Via Placement & Launches SPP |

Stage 1 - 50MW Kidston Solar Project

KS1 continued to perform well across the year, generating clean renewable energy into the grid. Specifically, the Project delivered \$13.3M in net revenue over the course of the year.

As previously advised (*refer to ASX Announcement dated 21 October 2020*), Genex and UGL mutually agreed to end UGL's role as EPC contractor and Operations & Maintenance (**O&M**) provider to KS1. During FY21, the O&M role at KS1 was officially transferred from UGL to Solarig.

Stage 2 - 250MW Kidston Pumped Storage Hydro Project

During FY21, Genex progressed the K2-Hydro project through project and finance document contractual close to full financial close and the commencement of construction activities.

Project Document Contractual Close was achieved in March 2021 allowing the Company's project vehicle to execute the following major construction and operation contracts:

- EPC contract with a joint venture of McConnell Dowell Constructors (Aust.) Pty Ltd and John Holland Group Pty Ltd for the pumped storage hydro plant, including dam construction, underground and waterway civil works, and the full powerhouse fit-out (including electromechanical equipment);
- Design and construct (**D&C**) contract with Energy Solutions Pty Ltd (trading as Beon) for the surface connection assets, including a new substation at Kidston to connect into the Powerlink transmission line and new 275kV transmission infrastructure to connect from the substation to the EPC works;
- O&M Agreement with ANDRITZ Hydro GmbH for the full operation and maintenance of the plant over its first 12 years of operation;
- Camp Operation and Catering Contract with ISS Integrated Services Pty Ltd for the operation of the construction camp over the four-year construction program;
- Module Supply and Install Contract with Ausco Modular Pty Ltd for the supply and installation of the additional accommodation and facilities for the construction camp;
- Owner's Engineer contract with Hydro-Electric Corporation trading as Entura; and
- Asset Management Services Deed and Facility Management Agreement with Genex to manage the corporate administration of the Project SPV and ancillary site services.

In April 2021, the Company announced that it had executed all outstanding financing documentation, and as a result, had reached Finance Document Contractual Close, securing all of the external financing required. The development of K2-Hydro is funded via:

- A\$610M 15-year debt facility from the NAIF (*refer ASX Announcement 22 December 2020*);
- A\$47M project grant funding agreement with ARENA (*refer ASX Announcement 24 March 2021*);
- A Variation Deed to the Loan Note Subscription Agreement with the Clean Energy Finance Corporation (**CEFC**), to provide a further A\$3M of subordinated debt funding to be applied toward the Project costs; and
- Proceeds from the fully underwritten fundraising (*refer ASX Announcement 24 March 2021*).

To further support the development of K2-Hydro, Genex signed a Share Subscription Agreement (**SSA**) with Electric Power Development Co Ltd (**J-POWER**), which was approved by shareholders at an Extraordinary General Meeting held on 29 April 2021. The SSA saw J-POWER take a 10% ownership stake in Genex via the placement of 106,990,005 fully paid ordinary shares at a price of A\$0.2337 per share and the appointment of J-POWER's representative, Mr Kenichi Seshimo, as a Director.

J-POWER is a leading Japanese public utility company listed on the Tokyo Stock Exchange. J-POWER has a significant portfolio of power generation assets and will bring considerable technical expertise to the project.

Notice to Proceed to Powerlink was granted in March 2021, enabling work to commence on development of the new 186km 275kV single circuit transmission line from Kidston to a new switching station to be constructed at Mt Fox.

50MW Jemalong Solar Project

In December 2020, the Company announced that it had successfully achieved transformer energisation of the JSP located near Forbes in central NSW. This milestone follows the successful installation of all the solar panels, inverters and other electrical and mechanical equipment at the Project.

Energisation of the 50MW JSP was an important milestone for the Company, delivering the second generating asset into the Genex renewable energy portfolio. JSP, along with the 50MW KS1 Project, will provide a combined 267,000MWh of clean energy per annum, offsetting approximately 250,000t of CO₂ and producing enough energy to power up to 41,660 households.

The Project's Energisation followed its successful registration by the Australian Energy Market Operator (AEMO) as a Market Generator, which signalled the completion of all technical and regulatory processes to enable the Project to export electricity into the NEM. In the June quarter, Practical Completion at JSP was claimed by the EPC Contractor Beon.

Electricity generated by the project will initially be exported to the NEM on a merchant basis, with the Company receiving the spot price for electricity in addition to revenue from the sale of Large-Scale Generation Certificates. In line with the Company's revenue contracting strategy, negotiations are underway with potential counterparts to contract part of the plant output under a PPA arrangement.

The company recognised a non-cash impairment of Jemalong at the end of the financial year as a result of an impairment assessment triggered by a decrease in the wholesale electricity prices. In assessing whether impairment is required, the recoverable value for Jemalong is calculated based on the forward price curve and compared against the book value for the asset. The non-cash impairment has no impact on either JSP or Genex's funding structure and is not reflective of the operational performance of the asset.

From a commercial perspective, JSP was funded on a portfolio basis alongside KS1. Portfolio financing allowed JSP to carry a significant amount of low-cost debt even though its revenue is on a merchant basis. The ability to achieve a highly favourable gearing/funding structure was the major value driver for the project and one of the main determinants for Genex to undertake the project.

However, for impairment testing, the application of the accounting standards require JSP to be assessed on a standalone basis. As such, the assumptions that can be made around funding structure and cost of funding are restrictive. Indeed, such assumptions do not reflect the actual commercial parameters under which JSP operates.

Notwithstanding this the project has been contributing strong revenues since energisation and continues to remain a valuable cash generating asset for the Group.

The JSP delivers geographic diversification to Genex's renewable energy and storage portfolio and will provide a step change in revenue and cashflow generation for the Company from FY22 onwards.

50MW Bouldercombe Battery Project

The BBP is the first large scale battery project which is being developed as part of the Company's Project Como Strategy to broaden our footprint in energy storage. This represents an exciting opportunity for Genex to apply the extensive market knowledge we have gained from developing the K2-Hydro towards broadening and diversifying our storage portfolio, while capturing a significantly enhanced revenue generation profile.

During FY21, Genex signed an Investigation Licence and Tenure Arrangement Agreement with Powerlink in relation to a standalone large-scale battery facility, to be located at Bouldercombe, near Rockhampton in North Queensland. Site selection for Genex's first large-scale battery project in Queensland was primarily

based upon being located within close proximity to existing transmission infrastructure with good network strength and Marginal Loss Factor profiles. Following an extensive search and selection process, an ideal site was identified within the boundary of Powerlink's Bouldercombe substation.

The project is intended to operate on an arbitrage/Frequency Control Ancillary Service (**FCAS**) revenue model with the ability to bid into all eight FCAS markets. This strategy has been founded on the basis of extensive market studies undertaken by Genex with its market consultants.

Genex is continuing to fast track the development of the Project. Grid connection studies are well progressed with an Offer to Connect expected to be received in Q2 FY22 and financial close shortly thereafter. With a construction timeline of approximately 12 months, it is anticipated the BBP should be fully operational in early CY 2023.

Kidston Stage 3 - 150MW Wind Project

During the year, Genex announced that the Company has entered into a Development Funding Agreement (**Agreement**) with **J-POWER** for the K3-Wind project at the Kidston Clean Energy Hub in North Queensland.

This arrangement reflects the Company's strong relationship with J-POWER, Japan's second largest provider of hydroelectric and wind power. With over 1GW in their global wind portfolio, including their projects under construction, J-POWER brings considerable global wind expertise to the development of the Project.

The Agreement provides J-POWER the opportunity to earn up to a 50% interest in the K3- Wind project through an initial funding contribution of A\$1.5M, which will be used to expedite the development of the project through monitoring, planning and other feasibility workstreams over the next 12-18 months. The feasibility workstreams will allow project financing activities to be conducted, with construction anticipated to commence in 2023. The development timeline will see the Project connect into the new 275kV transmission line to be constructed, owned and operated by Powerlink Queensland for the K2-Hydro Project which is expected to be completed in 2024.

The Agreement provides Genex with access to J-POWER's significant wind expertise, alongside additional project level capital, and will enable us to expedite the project development activities with the aim of bringing it online shortly after our flagship K2-Hydro project in 2024. The Project is a key component in the development of the Kidston Clean Energy Hub, with the existing 50MW KS1 already operational, and the K2-Hydro project under construction.

Funding

During the year the Company undertook two equity raisings to provide finance to progress the development of our portfolio of renewable energy generation and storage assets.

The first of these capital raises was in August 2020, with the Company completing a successful placement raising a total of A\$21.276M to both existing and new sophisticated and institutional shareholders followed by a Share Purchase Plan which raised a further \$2.85M. The purpose of the raising was to fast track the BBP, fund financial close costs associated with K2-Hydro and provide working capital.

In March 2021, the Company undertook a further capital raising, with an additional A\$90m raised via an institutional placement and an 11-for-20 fully underwritten pro-rata accelerated non-renounceable entitlement offer.

Along with the proceeds from NAIF, ARENA and the J-POWER equity subscription, the Company is fully funded to develop the K2-Hydro Project to completion.

COVID-19

The Company has implemented a number of measures to ensure the safety of our employees and continuity of our business operations during the COVID-19 pandemic. These measures include, on a case by case and state by state basis, mandatory work from home policies with office premises only available to employees on a one by one basis with prior permission of senior management. Weekly management meetings, daily 'toolbox' and other ad hoc sessions continue to be held regularly by telephone or videoconference to ensure that management and staff remain fully operational. The Company also implemented a policy to restrict visitors to our operating and accommodation facilities at Kidston such that only essential personnel approved by the Chief Operating Officer are permitted.

At the JSP, our EPC Contractor Beon implemented a strict COVID-19 protocol, and through careful supply chain and personnel management they have still managed to complete the construction of the project on time and within budget. For the K2-Hydro project strict COVID-19 protocols are being enforced by Genex, its camp operation and catering contractor, the EPC Contractor and all other contractors and service providers engaged at site.

Together with the Chief Operating Officer and the K2-Hydro project team I continue to monitor the COVID-19 situation so that we can respond quickly and decisively, and in a manner which is consistent with State and Federal Government directions as well as best business practice.

Summary and Outlook

In summary, FY21 has been a truly transformational year in the history of our Company. As we move in to FY22 our focus will be on:

- The continued ramp-up of construction activity at the K2-Hydro project;
- Advancement of our BBP, with the aim of reaching financial close and the commencement of construction by the end of this calendar year;
- Progression of our K3-Wind Project, with activities centred on wind resource monitoring as well as procurement of land and environmental approvals; and
- New business and project opportunities that are consistent with the Genex development strategy.

I would again like to acknowledge the support from the Federal Government, through the NAIF, ARENA, and CEFC. I would also like to recognise the Queensland State Government for providing a 20-year revenue support deed for KS1, and for supporting the K2-Hydro project through its \$147M co-funding of the new 275kV transmission line from Kidston to Mt Fox.

Finally, I would like to express my thanks to the Genex Board and to all Genex staff, who have shown such tenacity and enthusiasm in the face of very challenging circumstances, thereby ensuring that FY21 was a

transformative year for the Company. I would also like to thank our shareholders for their ongoing support, and I look forward to Genex building on our achievements and delivering another successful year in FY22.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'James Harding', with a long, sweeping underline that extends to the right.

James Harding

Chief Executive Officer

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENT

As a leading developer and operator of renewable energy and storage projects, Genex is committed to the highest standards of Environmental care, Social responsibility, and Good governance (ESG). Genex is pleased to present the Company’s inaugural ESG Statement to our shareholders, setting out our commitment to maintaining the high standards of sustainability we have set and further improving how our business decisions and policies address opportunities to enhance sound ESG practises within the Company.

3.1 Environment

We are a proud developer of sustainable renewable energy and storage projects. By 2025 our portfolio of renewable power projects is expected to provide clean energy to over 350,000 homes while also removing almost 2Mtpa of CO₂ per annum that would otherwise be emitted from the burning of fossil fuels.

| Clean Energy Production | Maximum Generation (Calendar Year) | Offsets CO ₂ Production (Calendar Year) | Houses Powered (Calendar Year) |
|-------------------------|--|---|---|
| 2020 |  KS1: 50MW – 145,000MWh |  120,000t of CO ₂ |  22,070 |
| 2021/22 |  KS1: 50MW – 145,000MWh |  249,166t of CO ₂ |  45,826 |
| |  JSP: 50MW – 128,700MWh | | |
| 2025 |  BBP: 50MW - 27,375MWh |  1,936,282t of CO ₂ |  356,115 |
| |  370MW – 1,056,700MWh | | |
| |  250MW – 730,000MWh | | |
| |  150MW – 525,600MWh | | |
| |  50MW – 27,375MWh | | |

Notes to the table:

Assumptions:

- KS1 and JSP are generating at full capacity;
- K2-Solar is built & generating at full capacity of 270MW;
- Average daily household consumes 18kwh/day;
- K2-Hydro dispatches once a day and pumps water using green energy;
- K3-Wind is operating and based on a typical wind farm in the region with a capacity factor of 40%; and
- Bouldercombe Battery Project dispatches once a day & charges using green energy.

We are deeply cognisant of the unique local environments in which we operate. We have a strong focus on minimising the disturbance we create in our operations by:

- Our commitment to conserving and protecting the environments in which we operate, as illustrated by the “Recycling and Reuse Programme” which is being implemented at the Kidston Clean Energy Hub;
- Rehabilitating a disused mine site to develop the sustainable and productive Kidston Clean Energy Hub; and
- Increasing our focus on responsible sourcing of raw materials used in the construction of our assets.

3.2 Social

We understand the fundamental importance of our social license to operate as an essential service provider in the transition to a carbon free energy future. Providing a safe working environment for our employees and contractors to work in, respecting the traditional owners of the land on which we operate, and helping to develop Far North Queensland are high priorities.

Genex is focussed on job creation in our local communities:

- We are an equal opportunity employer in accordance with our Diversity Policy and, as such, the Company does not discriminate on the basis of racial origin, gender, age, ethnicity, marital status, disability, religious or philosophical beliefs, sexual preference or political affiliation;
- Our Indigenous Engagement Strategy is promoting indigenous employment and procurement at the K2-Hydro project;
- 900 jobs have been created around the Kidston Clean Energy Hub and along the transmission route to Mount Fox;
- 151 jobs were created at the JSP, comprising 68% local, 22% female and 11% indigenous; and
- 170 jobs were created during construction at the KS1 project, comprising 35% female and 15% indigenous.

The indigenous population in the Kidston region is defined as the Ewamian People #3 and is represented by the Ewamian Aboriginal Corporation (**EAC**). Genex has maintained strong engagement with EAC through the development of its projects at Kidston to date. As part of the development of the K2-Hydro project, Genex and EAC developed an Indigenous Engagement Strategy (**IES**) to drive indigenous employment and general engagement in the project. In accordance with this strategy a Sponsorship Agreement was developed between EAC and Genex which provides for a contribution of \$536,500 by the Company towards funding the Talaroo Hot Springs Development. Genex continues its close relationship with EAC through its development of the K3-Wind project.

3.3 Governance

Genex is committed to high standards of corporate governance. The Board is responsible for Genex corporate governance and compliance. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders, employees and other stakeholders.

Genex has adopted a Board Charter to give formal recognition of the Board's role and responsibilities, and to specify how the Company is governed to promote Genex and protect the interests of shareholders, employees, and the broader community.

Genex has developed and implemented a suite of policies and codes of conduct to support our drive towards a culture of ethical business behaviour and responsible corporate activity. A select number of these policies provides as follows:

- An Audit and Risk Management Committee Charter to assist the Board of Directors of the Company in fulfilling its financial, risk and general oversight responsibilities;
- A Code of Conduct relating to the obligations of stakeholders where we endeavour to be recognised as an organisation committed to the highest ethical standards in business. This incorporates our responsibilities to shareholders and the financial community, employment practices, fair trading and dealing, responsibilities to the individual, the community and compliance with all provisions of its Constitution, the Corporations Act 2001, the ASX Listing Rules and all other applicable rules and legislation;
- A Securities Trading Policy which imposes constraints on key management personnel, as that term is defined in the Schedule (Key Management Personnel) of the Company dealing in the Company's shares or options, warrants, futures or other derivative financial products issued over or in respect of the Company's shares or options (Securities); and
- A Continuous Disclosure Policy placing obligations and procedures on all directors, employees and consultants of the Company to ensure the timely and balanced disclosure of all material matters concerning the Company.

4. DIRECTORS' REPORT & REMUNERATION REPORT

The directors present their report, together with the consolidated financial statements, of Genex Power Limited consisting of Genex Power Limited (referred to hereafter as '**Genex**', the '**Company**' or '**parent entity**') and the entities it controlled at the end of, or during, the twelve-month period ended 30 June 2021 (referred to hereafter as the '**consolidated entity**' or the '**Group**').

Directors

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

Dr Ralph Craven

Michael Addison

Yongqing Yu

Teresa Dyson

Ben Guo

Simon Kidston

Kenichi Seshimo (appointed 18 May 2021)

Principal activities

The consolidated entity's principal activities during the period comprised the development of the Kidston Clean Energy Hub in Far North Queensland (**FNQ**) which includes the commencement of construction for K2-Hydro and ongoing development work for K3W, the operation of the KS1, the development of the JSP in New South Wales and development associated with the BBP in Queensland.

Dividends

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

Significant changes in the state of affairs

The principal activities of the consolidated entity during the course of the year consisted of project financing and commencement of construction for the K2-Hydro.

For the year ended 30 June 2021, the consolidated entity incurred an after-tax loss of \$18.7M.

During the 2021 financial year Genex raised an aggregate amount of \$139M in equity capital before costs. Most of the funds were directed to development and construction of K2-Hydro.

During the year, Genex reached financial close for K2-Hydro, as part of the project financing process and in addition to the equity raised, Genex was able to secure a \$610M facility from the NAIF, a \$47M grant from ARENA, \$3M facility top up from the CEFC and \$147M of funding support from the Queensland government to co-fund the construction of a new 275kV transmission line.

Matters subsequent to the end of the year

There have been no other material events or circumstances which have arisen since 30 June 2021 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity is currently focussed on rapidly progressing the development of the BBP and K3-Wind and ongoing construction of K2-Hydro.

Environmental regulation

The Kidston Clean Energy Hub Site is covered by Mining Lease (**ML**) No. 3347 and Environmental Authority (**EA**) No. EPML000817013 which were originally granted to Kidston Gold Mines Limited (**KGML**) under the *Environmental Protection Act (1994) (QLD)* at a time when KGML was a subsidiary of Barrick Gold Corporation and the site was operated as a gold mine. The EA has operative provisions relating to:

- General;
- Air;
- Water;
- Noise and Vibration;
- Regulated dams; and
- Land and Rehabilitation.

Some of the provisions of the EA are inconsistent with Genex's current use of the site as an operator and developer of diverse renewable energy. Genex, in agreement with the Queensland Department of

Environment and Science (**DES**), has entered into an Environmental Evaluation process with a view to amending certain provisions of the EA to be consistent with Genex's current site use.

Information on directors

Name: Dr Ralph Craven

Title: Independent Non-Executive Chairman

Qualifications: BE PhD, FIEAust, FIPENZ, FAICD

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

Other Current Directorships:

Senex Energy Limited (from 2011)

AusNet Services Limited (from 2014)

Former Directorships (last 3 years): None



Experience and expertise:

Dr. Craven has respected credentials in energy, resources, infrastructure development, transmission and power generation. Dr. Craven has a number of public company roles including non-executive director of Senex Energy Limited (September 2011 to present) and AusNet Services Limited (January 2014 to present). Dr. Craven has held senior executive positions with energy and resource companies in Australia and New Zealand. He was formerly Chief Executive Officer of Transpower New Zealand Ltd, an Executive Director of NRG Asia-Pacific and General Manager Power Marketing and Development with Shell Coal Pty Ltd.

His previous roles include Chairman of Ergon Energy Corporation Limited, Chairman of Stanwell Corporation Limited and Chairman of Tully Sugar Limited. Dr. Craven was also Deputy Chairman of Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina).

Name: Michael Addison

Title: Non-Executive Director

Qualifications: BSc (Eng), MPhil (Oxon)

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

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

Former Directorships (last 3 years): None



Experience and expertise:

Michael is a former water engineer with experience in large dam, spillway and water reticulation systems design. He also has considerable international corporate finance experience, having spent a number of years as an investment banker with three globally recognised investment banks. Subsequent to transitioning into mainstream corporate management in the early nineties, Michael held a number of senior executive

positions on the boards of publicly listed companies on each of the London, Johannesburg and Australian Securities Exchanges. In these roles he developed deep expertise in the management and running of listed companies and an intimate working knowledge of the regulatory, legal and governance environments in which listed companies operate. Michael was previously a director of Carabella Resources Limited, Stratum Metals Limited, Frontier Diamonds Limited (6 September 2017 to 4 June 2018) and Intra Energy Corporation (1 June 2017 to 28 September 2017).

Michael is a former Rhodes Scholar and has an Oxford University postgraduate degree in Management Studies. Michael is a founding director and shareholder of Genex.

Name: Teresa Dyson

Title: Independent Non-Executive Director

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

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

Other Current Directorships:

Seven West Media Limited (from 2017)

Shine Justice Limited (from 2020)

Former Directorships (last 3 years):

Consolidated Tin Mines Limited (2019-2020)



Experience and expertise:

Teresa is a director and Audit & Risk Committee Chair of ASX-listed Seven West Media Ltd (2017 – present) and a non-executive director of Shine Justice Ltd (ASX: SJL) from February 2020 - present. Teresa is also a director of Energy Qld Ltd, Energy Super until its merger with LGIAsuper on 1 July 2021 and from that date Teresa became a director of LGIAsuper, Power & Water Corporation, National Housing Finance & Investment Corporation and the Gold Coast Hospital & Health Board. She is a member of the Foreign Investment Review Board and the Takeovers Panel. Teresa has broad legal experience across infrastructure, financial structuring, social infrastructure and taxation law. Teresa has previously been Chair of the Board of Taxation and a Partner of Ashurst and Deloitte and was named Woman Lawyer of the Year in 2011 by the Women Lawyers Association of Queensland.

Name: Simon Kidston

Title: Executive Director

Qualifications: BCom, GradDipAppFin, MAICD

Special Responsibilities: Member, Remuneration Committee

Other Current Directorships: None

Former Directorships (last 3 years): None



Experience and expertise:

Simon is a founding director and shareholder of Genex. Prior to Genex, Simon successfully established 3 ASX listed companies, Endocoal Limited, Carabella Resources Limited and Estrella Resources Limited.

In addition, Simon has almost 30 years' investment banking experience in Australia and overseas with groups such as Macquarie Bank Limited, HSBC and Helmsec Global Capital Limited. During this period, he assisted companies grow by accessing capital needs, negotiating strategic relationships and acquisitions. He has a Bachelor of Commerce degree and is a Member of the Australian Institute of Company Directors.

Name: Ben Guo

Title: Finance Director

Qualifications: *BCom, Finance (Hons 1st) and Accounting*

Special Responsibilities: Group Finances

Other Current Directorships: None

Former Directorships (last 3 years): None



Experience and expertise:

Ben has over 10 years' management experience in Australia. Prior to joining Genex, he held senior financial roles at Helmsec Global Capital Limited and Estrella Resources Limited. Ben has also worked at PwC Corporate Finance and Ernst & Young.

Name: Yongqing Yu

Title: Non-Executive Director

Special Responsibilities: Nil

Other Current Directorships: None

Former Directorships (last 3 years): None



Experience and expertise:

Mr. Yongqing Yu is the Vice Chairman of Shenzhen listed Zhefu Holding Group (Zhefu). Zhefu is the 100% shareholder of Asia Ecoenergy Development Limited (AED is Zhefu's Hongkong subsidiary) and the largest private hydroelectric electrical and mechanical equipment manufacturers in China. Mr. Yu has been a key member of Zhefu since the company's inception. He is a senior engineer and has extensive hydro experience. Yongqing has been involved in many significant projects including the Shuangling Hydropower Project in Liaoning Province, the Wanmipo Hydropower Project in Hunan province and the Changzhou Hydropower Project in the Guangxi Zhuang Autonomous Region of China. Mr Yu's technical expertise and experience in

working with large scale international projects significantly strengthens the Genex Board's already robust level of technical, industry and corporate experience

Name: Kenichi Seshimo

Title: Non-Executive Director

Qualifications: BSc, Electrical Engineering (KEIO University)



Experience and expertise:

Mr Seshimo has worked in the electric power development and energy industry, in different countries, for more than 30 years. He commenced his career with a leading Japanese trading company and held roles in which he was involved in various international overseas electric power projects. This included a period in which he was based in Ho Chi Minh City, Vietnam where he was project manager for a Gas Combined Cycle corporation.

Kenichi has been working at Electric Power Development Co., Ltd (J-POWER) since 2004. During his time at J-POWER, Kenichi has been involved in a number of project development and management roles including as a non-Executive Director with CBK (750MW), a Pumped Storage Hydro Power Project Company based in the Philippines, a non-Executive Director of Chia Hui Gas Fired Power Project Company (450MW) in Taiwan, CEO of PT Bhimansena Power Indonesia for 2 x 1,000MW Ultra Super Critical (USC) Coal Thermal Power Projects (project cost \$4 billion) in Indonesia and more recently as Chief Operating Officer of J-POWER Australia Pty Limited.

Name: Justin Clyne

Title: Company secretary

Qualifications: LLM (UNSW) ACIS, AGIA, MAICD



Experience and expertise:

Justin Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a Barrister in 1998. He has 15 years of experience in the legal profession, acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services.

Justin is a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally. Justin holds a Master of Laws in International Law from the University of New South Wales and is a qualified Chartered Company Secretary.

Meetings of Directors

The number of meetings of the Company's Board of Directors (the **Board**) and its Committees held during the year ended 30 June 2021, and the number of meetings attended by each director was:

| NAME | BOARD | | AUDIT | | REMUNERATION | |
|-----------------|-------|----------|-------|----------|--------------|----------|
| | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED |
| Dr Ralph Craven | 21 | 21 | 4 | 4 | 3 | 3 |
| Michael Addison | 21 | 21 | 4 | 4 | 2 | 2 |
| Simon Kidston | 21 | 19 | - | - | 3 | 3 |
| Ben Guo | 21 | 21 | - | - | - | - |
| Teresa Dyson | 21 | 20 | 4 | 4 | 3 | 3 |
| Kenichi Seshimo | 1 | 1 | - | - | - | - |
| Yong Qing Yu | 21 | - | - | - | - | - |

'Held' represents the number of meetings held during the time the director was in office or was a member of the relevant committee. While Mr Yu did not attend any Board meetings, a representative from Zhefu Holding Group was invited to each Board meeting throughout the period on behalf of Mr Yu as an observer only.

Remuneration Report: Audited

The Board is responsible for determining and reviewing compensation arrangements for the directors and executive management. The Board assesses the appropriateness of the nature and amount of remuneration of key personnel on an annual basis. In determining the amount and nature of executive remuneration, the Board takes into consideration the Company's financial and operational performance along with industry and market conditions.

Remuneration packages for the Company's CEO and senior executives include a mix of fixed remuneration and performance-based remuneration. The fixed component consists of base remuneration, allowances and superannuation.

The Constitution provides that the non-executive Directors may be paid for their services as Directors, however the sum payable must not exceed a fixed sum per annum as determined by shareholders at an annual general meeting, to be divided as agreed amongst the non-executive Directors and in default of agreement then in equal shares. The current aggregate limit for the payment of director fees to non-executive Directors is \$400,000 per annum.

A Director may be paid additional fees or other amounts as the Remuneration Committee determines where a Director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company as occurred in the 2021 financial year. A Director may also be reimbursed for any disbursements or any other out of pocket expenses properly incurred as a result of their directorship or any special duties.

The Company's remuneration policy aims to align the corporate goals and strategic objectives of the Company with the remuneration paid to Senior Executives and considers both short term and long-term compensation. The Company seeks to compensate its executives fairly and undertakes an annual review and benchmarking of remuneration arrangements. The Company also recognises that much is required of our small team of executives to accomplish the goals the Company has set for itself.

This Remuneration Report outlines the arrangements which were in place during the year ended 30 June 2021 for the Directors and key management personnel. The fee for all directors includes a one-off exertion payment for additional services provided in respect of the JSP and K2-Hydro. The share-based payments relate to the valuation of options issued to directors during the year. The employee benefits relate to leave entitlements.

| 2021 | Short-term benefits | Superannuation benefits | Other employment benefits | Share-based payments | Total |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------|------------------|
| | Cash Salary and Fees | | | | |
| | \$ | \$ | \$ | \$ | \$ |
| Executive Directors | | | | | |
| S Kidston | 657,550 | 25,000 | 18,621 | - | 701,171 |
| B Guo | 482,350 | 25,000 | 51,852 | - | 559,202 |
| Non-Executive Directors | | | | | |
| R Craven | 265,833 | 25,254 | - | - | 291,087 |
| M Addison | 248,333 ¹ | 23,592 | - | - | 271,925 |
| Teresa Dyson | 128,333 | 12,192 | - | - | 140,525 |
| Kenichi Seshimo | - | - | - | - | - |
| Yongqing Yu | - | - | - | - | - |
| Sub-Total | 1,782,399 | 111,038 | 70,473 | - | 1,963,910 |
| Chief Executive Officer | | | | | |
| James Harding | 669,412 | 25,000 | 59,487 | 77,026 | 830,925 |
| Chief Operating Officer | | | | | |
| A McGhie | 655,725 | 25,000 | 25,095 | - | 705,820 |
| Sub-Total | 1,325,137 | 50,000 | 84,582 | 77,026 | 1,536,745 |
| Total | 3,107,536 | 161,038 | 155,055 | 77,026 | 3,500,655 |

¹ The fee paid to Mr Addison in the 2021 financial year comprised a director's fee and exertion payment of \$175,000.

| 2020 | Short-term benefits | Superannuation benefits | Other employment benefits | Share-based payments | Total |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------|------------------|
| | Cash Salary and Fees | | | | |
| | \$ | \$ | \$ | \$ | \$ |
| Executive Directors | | | | | |
| S Kidston | 398,825 | 17,275 | 28,598 | 450,000 | 894,698 |
| B Guo | 398,825 | 17,275 | 54,060 | 450,000 | 920,160 |
| Non-Executive Directors | | | | | |
| R Craven | 157,500 | 14,963 | - | 600,000 | 772,463 |
| M Addison | 112,688 ² | 9,215 | - | 450,000 | 571,903 |
| Teresa Dyson | 79,500 | 7,553 | - | 225,000 | 312,053 |
| Yongqing Yu | - | - | - | - | - |
| Sub-Total | 1,147,338 | 66,281 | 82,658 | 2,175,000 | 3,471,277 |
| Chief Executive Officer | | | | | |
| James Harding | 374,471 | 22,467 | 15,006 | 95,073 | 507,017 |
| Chief Operating Officer | | | | | |
| A McGhie | 382,763 | 22,387 | 5,272 | - | 410,422 |
| Sub-Total | 757,234 | 44,854 | 20,278 | 95,073 | 917,439 |
| Total | 1,904,572 | 111,135 | 102,936 | 2,270,073 | 4,388,716 |

Period of Service

| NAME | PERIOD OF SERVICE |
|-----------------|---|
| Michael Addison | 15 July 2011 to current |
| Simon Kidston | 1 August 2013 to current |
| Ben Guo | 25 October 2013 to current |
| Ralph Craven | 1 July 2014 to 26 March 2015 and 29 May 2015 to current |
| Teresa Dyson | 7 May 2018 to current |
| Kenichi Seshimo | 18 May 2021 to current |
| Yongqing Yu | 8 February 2016 to current |
| James Harding | 16 May 2016 to present |
| Arran McGhie | 28 July 2015 to present |

Key Management Personnel (KMP)'s Interests in the Company

The shares and options held by the KMPs as at 30 June 2021 and at the date of this report are as follows:

² The fee paid to Mr Addison in the 2020 financial year comprised a director's fee of \$72,000, consulting fees and a one-off special exertion payment of \$25,000.

Shares

| PERSONNEL | BALANCE AS AT 1 JULY 2020 | GRANTED AS REMUNERATION | RECEIVED ON EXERCISE | PURCHASES | SHARES SOLD | BALANCE AS AT 30 JUNE 2021 |
|-----------------|---------------------------|-------------------------|----------------------|-----------|-------------|----------------------------|
| Michael Addison | 24,500,000 | - | - | 150,000 | - | 24,650,000 |
| Simon Kidston | 18,444,431 | - | - | 150,000 | - | 18,594,431 |
| Ben Guo | 2,170,681 | - | - | - | - | 2,170,681 |
| Ralph Craven | 403,409 | - | - | 196,591 | - | 600,000 |
| Teresa Dyson | 131,362 | - | - | 108,375 | - | 239,737 |
| Kenichi Seshimo | Nil | - | - | - | - | Nil |
| Yongqing Yu | Nil | - | - | - | - | Nil |
| Arran McGhie | Nil | - | - | - | - | Nil |
| James Harding | Nil | - | - | - | - | Nil |

| PERSONNEL | BALANCE AS AT 1 JULY 2019 | GRANTED AS REMUNERATION | RECEIVED ON EXERCISE | PURCHASES | SHARES SOLD | BALANCE AS AT 30 JUNE 2020 |
|-----------------|---------------------------|-------------------------|----------------------|-----------|-------------|----------------------------|
| Michael Addison | 28,500,000 | - | - | - | 4,000,000 | 24,500,000 |
| Simon Kidston | 20,881,931 | - | - | 62,500 | 2,500,000 | 18,444,431 |
| Ben Guo | 2,108,181 | - | - | 62,500 | - | 2,170,681 |
| Ralph Craven | 340,909 | - | - | 62,500 | - | 403,409 |
| Teresa Dyson | 68,862 | - | - | 62,500 | - | 131,362 |
| Yongqing Yu | Nil | - | - | - | - | Nil |
| Arran McGhie | Nil | - | - | - | - | Nil |
| James Harding | Nil | - | - | - | - | Nil |

Options

| PERSONNEL | BALANCE AS AT 1 JULY 2020 | EXPIRED | BALANCE AS AT 30 JUNE 2021 |
|-----------------|---------------------------|---------|----------------------------|
| Michael Addison | 7,000,000 | - | 7,000,000 |
| Simon Kidston | 7,000,000 | - | 7,000,000 |
| Ben Guo | 7,000,000 | - | 7,000,000 |
| Ralph Craven | 6,000,000 | - | 6,000,000 |
| Teresa Dyson | 1,500,000 | - | 1,500,000 |
| Kenichi Seshimo | - | - | - |
| Yongqing Yu | - | - | - |
| Arran McGhie* | 5,000,000 | - | 5,000,000 |
| James Harding* | 5,000,000 | - | 5,000,000 |

| PERSONNEL | BALANCE AS AT 1 JULY 2019 | GRANTED AS REMUNERATION | DATE OF GRANT DURING PERIOD | FAIR VALUE PER OPTION AT GRANT DATE | EXERCISE PRICE | BALANCE AS AT 30 JUNE 2020 |
|-----------------|---------------------------|-------------------------|-----------------------------|-------------------------------------|----------------|----------------------------|
| Michael Addison | 4,000,000 | 3,000,000 | 10/09/2019 | 0.15 | 0.34 | 7,000,000 |
| Simon Kidston | 4,000,000 | 3,000,000 | 10/09/2019 | 0.15 | 0.34 | 7,000,000 |
| Ben Guo | 4,000,000 | 3,000,000 | 10/09/2019 | 0.15 | 0.34 | 7,000,000 |
| Ralph Craven | 2,000,000 | 4,000,000 | 10/09/2019 | 0.15 | 0.34 | 6,000,000 |
| Teresa Dyson | - | 1,500,000 | 10/09/2019 | 0.15 | 0.34 | 1,500,000 |
| Yongqing Yu | - | - | - | - | - | - |
| Arran McGhie* | 5,000,000 | - | - | - | - | 5,000,000 |
| James Harding* | 5,000,000 | - | - | - | - | 5,000,000 |

Executive Services Agreement (James Harding)

On 23 June 2016, the Company entered into an Executive Services Agreement (**Agreement**) with James Harding in his capacity as Executive General Manager. On 7 May 2018, that Agreement was varied with respect to the remuneration and duties to be performed following Mr. Harding's appointment as Chief Executive Officer (**CEO**) and was varied again effective on 1 May 2021 as part of Mr. Harding's periodic remuneration review. The key terms and conditions of the Agreement and Variation are summarised below.

- **(Term)** The appointment as CEO commenced on 7 May 2018 and is ongoing subject to the termination provisions.
- **(Services)** James Harding will provide the duties and responsibilities associated with the role of CEO and report to the Board regarding the overall responsibility for the day to day management of the business of the Company and with responsibility for overall reporting requirements and regularly reporting to the Board concerning the business and financial position of the Company.
- **(Remuneration)** James Harding will receive a gross salary of \$420,000 (excluding superannuation) plus a Short Term Incentive (**STI**) payment of up to 40% of gross salary for FY22, per annum. In addition, James Harding may be granted, subject to any necessary shareholder approval, incentives to provide ongoing service and commitment to the Company.
- **(Entitlements)** James Harding is entitled to 5 weeks of annual leave per annum in addition to other employee entitlements that are customary to an agreement of this nature.
- **(Termination)** Both James Harding and the Company may terminate the agreement at any time and for any reason by giving 3 months' written notice to the other party. James Harding's employment may otherwise be terminated at any time for cause by notice to James Harding from the Company.

James Harding received a \$127,500 exertion payment for additional services provided in respect of financial close for the JSP in August 2020 and a \$170,000 exertion payment for additional services provided in respect of financial close of K2-Hydro in May 2021.

In FY21, \$35,245.80 super was also redirected to salary and wages subject to Board's approval.

Executive Services Agreement (Arran McGhie)

On 16 July 2015, the Company entered into an Executive Services Agreement with Arran McGhie in his capacity as Chief Operating Officer which was varied effective 1 May 2021 as part of Mr. McGhie's periodic remuneration review. Pursuant to his agreement, Arran McGhie receives a gross salary of \$400,000 (excluding superannuation) plus a STI payment of up to 40% of gross salary for FY22, per annum. The Executive Services Agreement is substantially on the same terms and conditions as the Executive Services Agreement with James Harding, the material provisions of which are summarised above. On 6 August 2020, all 5,000,000 options held by Arran McGhie expired.

Arran McGhie received a \$120,000 exertion payment for additional services provided in respect of financial close for the JSP in August 2020 and a \$160,000 exertion payment for additional services provided in respect of financial close of K2Hydro in May 2021.

In FY21, \$34,058.34 super was also redirected to salary and wages subject to Board's approval.

Executive Services Agreements (Ben Guo and Simon Kidston)

From May 2021, Both Simon Kidston and Ben Guo received an increase in salary to \$360,000 plus a STI payment of up to 40% of gross salary pro rata for FY22, as a result of a periodic remuneration review. Aside from the differences in remuneration, the Executive Services Agreements with Ben Guo and Simon Kidston are substantially on the same terms and conditions as the Executive Services Agreement with James Harding, the material provisions of which are summarised above with only non-material differences.

Both Simon Kidston and Ben Guo received a \$120,000 exertion payment for additional services provided in respect of financial close on the JSP in August 2020 and Simon and Ben received \$160,000 exertion payment for additional services provided in respect of financial close of K2-Hydro in May 2021. Ben's exertion payment was made in July 2021.

In FY21, \$19,016.70 super for Ben Guo and \$34,216.70 for Simon Kidston were also redirected to salary and wages subject to Board's approval.

Consultancy Agreement (Michael Addison)

On 7 May 2018, the Company entered into a Services Consultancy Contract with Michael Addison on an arm's length basis to provide consulting services as a strategic adviser consulting on project delivery and the Company's project pipeline in addition to his role as a Non-Executive Director. The Contract provides for an hourly rate of \$250 plus GST and a monthly cap of \$20,900 plus GST. There is no fixed term and either party may terminate the Contract on 4 months' notice or payment in lieu.

Michael Addison received a \$75,000 exertion payment for additional services provided in respect of financial close on the JSP in August 2020 and a \$100,000 exertion payment for additional services provided in respect of financial close of K2-Hydro in May 2021.

Payments to directors for extra services performed, as was the case with each of the directors in the 2021 financial year as a result of the significant additional work required to reach financial close of the Company's JSP and K2-Hydro projects, is permitted under clause 11.16 of the Company's Constitution and ASX Listing Rule 10.17. With respect to the Company's non-executive directors, payment for extra services can be made in addition to payments from the Company's non-executive director fee pool where such payments are for genuine "special exertion" fees as was the case here.

Shares under option

Unissued ordinary shares of Genex Power Limited under option at the date of this report are as follows:

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE | NUMBER OF OPTIONS |
|-------------------|-------------------|----------------|-------------------|
| 2 September 2016 | 2 September 2021 | \$0.25 | 2,400,000 |
| 17 January 2017 | 17 January 2022 | \$0.34 | 14,000,000 |
| 7 July 2017 | 17 January 2022 | \$0.34 | 1,500,000 |
| 23 February 2018 | 13 February 2023 | \$0.40 | 4,850,000 |
| 10 September 2019 | 10 September 2024 | \$0.34 | 14,500,000 |
| Total | | | 37,250,000 |

End of Remuneration Report

Loss per Share

The loss per share for Genex Power Limited for the year was 3.08 cents per share (FY20 2.63 cents).

Results of Operations and Dividends

The consolidated entity's net loss after taxation attributable to the members of Genex Power Limited for the year ended 30 June 2021 was (\$18,725,873). The Directors of Genex have resolved not to recommend a dividend for the financial year ended 30 June 2021.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

| | |
|----------------------------|----------------|
| Tax Compliance | \$ 43,450 |
| Transactional Tax Services | 156,321 |
| | <u>199,771</u> |

Auditor's independence declaration

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

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Ben Guo', with a long horizontal stroke extending to the right.

Ben Guo

Director

27 August 2021

Sydney



200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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

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

As lead auditor for the audit of the financial report of Genex Power Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Lynn Morrison
Partner
27 August 2021

6. FINANCIAL STATEMENTS

General information

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

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

Registered Office

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2021. The directors have the power to amend and reissue the financial statements.

6.1 CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

| YEAR ENDING 30 JUNE 2021 | NOTES | 30 JUNE 2021 | 30 JUNE 2020 |
|--|-------|---------------------|---------------------|
| | | \$ | \$ |
| Revenue | | | |
| Sale of electricity and environmental products and lease income | | 10,630,240 | 10,253,756 |
| Other income | | 11,020,056 | 2,004,255 |
| | 5 | 21,650,296 | 12,258,011 |
| Expenses | | | |
| Project site costs | 6 | (1,358,428) | (3,841,189) |
| Salary expenses | 6 | (5,167,775) | (3,062,687) |
| Share-based Payment expenses | | (79,605) | (2,270,073) |
| Administrative expenses | | (2,568,855) | (1,301,982) |
| Compliance cost and regulatory fees | | (484,822) | (239,831) |
| Project consulting costs | | (772,882) | (674,646) |
| Legal fees | | (1,162,997) | (80,053) |
| Travel and marketing expenses | | (117,488) | (199,845) |
| Depreciation charges | 14 | (6,253,296) | (8,006,499) |
| Impairment charges | 14 | (16,500,000) | - |
| Net gain/(loss) on financial instruments at fair value through profit/loss | 20 | (253,095) | 1,177,822 |
| Total Expenses | | (34,719,243) | (18,498,983) |
| Operating Loss | | (13,068,947) | (6,240,972) |
| Finance costs | 6 | (5,710,628) | (4,428,506) |
| Finance income | 7 | 53,702 | 135,228 |
| Loss before tax | | (18,725,873) | (10,534,250) |
| Income tax expense | 8 | - | - |
| Loss after income tax expense attributable to the owners of Genex Power Limited | | (18,725,873) | (10,534,250) |

Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)

| | | | |
|---------------------------------------|----|-----------|-------------|
| Net gain / (loss) on cash flow hedges | 18 | 8,329,393 | (9,443,907) |
|---------------------------------------|----|-----------|-------------|

| | | | |
|---|--|--------------|--------------|
| Total comprehensive loss for the year attributable to the owners of Genex Power Limited | | (10,396,480) | (19,978,157) |
|---|--|--------------|--------------|

| | | CENTS | CENTS |
|----------------------------|----|--------|--------|
| Basic earnings per share | 36 | (3.08) | (2.63) |
| Diluted earnings per share | 36 | (3.08) | (2.63) |

6.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| YEAR ENDING 30 JUNE 2020 | NOTES | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------------------------|-------|--------------------|--------------------|
| | | \$ | \$ |
| Assets | | | |
| Current Assets | | | |
| Cash at bank | 9 | 45,447,090 | 65,487,915 |
| Trade and other receivables | 10 | 1,194,151 | 3,480,647 |
| Prepayments | 11 | 2,747,135 | 414,340 |
| | | 49,388,376 | 69,382,902 |
| Non-Current Assets | | | |
| Bond, Deposits and Bank Guarantee | 12 | 5,030,500 | 4,717,388 |
| Plant Property and Equipment | 14 | 296,233,918 | 179,807,006 |
| Other Assets | 13 | 9,083,535 | - |
| | | 310,347,953 | 184,524,394 |
| Total Assets | | 359,736,329 | 253,907,296 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 15 | 11,763,284 | 22,373,670 |
| Short term interest accrued | | 1,159,773 | 1,007,835 |
| Interest-bearing loans and borrowings | 16 | 7,735,557 | 5,056,400 |
| Convertible notes | 19 | - | 1,536,446 |
| Government grant | 17 | 442,500 | 442,500 |
| Provisions | 23 | 791,733 | 370,404 |
| Other current financial liabilities | | - | 127,098 |
| Current lease liabilities | 29 | 504,127 | 207,640 |
| | | 22,396,974 | 31,121,993 |
| Non-Current Liabilities | | | |
| Long term interest accrued | | - | 604,545 |
| Interest-bearing loans and borrowings | 22 | 182,014,318 | 177,240,388 |
| Convertible notes | 19 | - | 4,203,137 |
| Government Grant | 17 | 6,859,356 | 7,301,856 |

| | | | |
|--|----|--------------------|--------------------|
| Other non-current financial liabilities | 20 | 6,487,752 | 15,220,504 |
| Non-current lease liabilities | 29 | 3,614,025 | 2,953,924 |
| Rehabilitation and restoration provision | 23 | 3,820,200 | 3,820,200 |
| Other non-current liabilities | | 250,000 | 59,510 |
| | | 203,045,651 | 211,404,064 |
| Total Liabilities | | 225,442,625 | 242,526,057 |
| Net Assets | | 134,293,704 | 11,381,239 |
| Equity | | | |
| Share capital | 24 | 195,786,112 | 62,542,338 |
| Option reserves | 24 | 4,528,147 | 4,448,542 |
| Cash flow hedge reserve | 18 | (6,487,752) | (14,802,708) |
| Accumulated losses | | (59,532,803) | (40,806,933) |
| Total Equity | | 134,293,704 | 11,381,239 |

6.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| FOR THE YEAR ENDED 30 JUNE 2021 | NOTES | ISSUED CAPITAL | OPTIONS RESERVES | CASH FLOW HEDGE RESERVE | ACCUMULATED LOSSES | TOTAL EQUITY |
|-------------------------------------|-------|--------------------|------------------|-------------------------|---------------------|--------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | | 62,542,338 | 4,448,542 | (14,802,708) | (40,806,930) | 11,381,242 |
| Loss after income tax | | - | - | - | (18,725,873) | (18,725,873) |
| Cash flow hedge reserve | 18 | - | - | 8,314,956 | - | 8,314,956 |
| Total comprehensive loss for period | | 62,542,338 | 4,448,542 | (6,487,752) | (59,532,803) | 970,325 |
| Shares issued during the period | 24 | 139,407,069 | - | - | - | 139,407,069 |
| Transaction cost | 24 | (6,163,295) | - | - | - | (6,163,295) |
| Share-based payments | 25 | - | 79,605 | - | - | 79,605 |
| Balance at 30 June 2021 | | 195,786,112 | 4,528,147 | (6,487,752) | (59,532,803) | 134,293,704 |

| FOR THE YEAR ENDED 30 JUNE 2020 | 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 | | - | - | - | (10,534,250) | (10,534,250) |
| Cash flow hedge reserve | 18 | - | - | (9,443,907) | - | (9,443,907) |
| Total comprehensive loss for period | | 41,899,049 | 2,178,469 | (14,802,708) | (40,806,933) | (11,532,123) |
| Shares issued during the period | | 21,458,390 | - | - | - | 21,458,390 |
| Transaction cost | | (815,101) | - | - | - | (815,101) |
| Share-based payments | 25 | - | 2,270,073 | - | - | 2,270,073 |
| Balance at 30 June 2020 | | 62,542,338 | 4,448,542 | (14,802,708) | (40,806,933) | 11,381,242 |

6.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| | NOTES | 30 JUNE 21 | 30 JUNE 20 |
|---|-----------|----------------------|---------------------|
| | | \$ | \$ |
| Cashflow from Operating Activities | | | |
| Receipt from customers | | 15,621,185 | 9,826,749 |
| Payments to suppliers | | (9,468,587) | (7,509,788) |
| Payments to employees | | (5,432,990) | (3,068,635) |
| Interest received | | 53,702 | 135,228 |
| Interest paid | | (5,606,000) | (3,487,158) |
| Net cash utilised by operating activities | 33 | (4,832,690) | (4,103,604) |
| Cashflow from Investing Activities | | | |
| Purchase of Property, Plant and Equipment | | (153,128,545) | (37,883,308) |
| Funds invested into a term deposit/bank guarantee | | (313,112) | (108,710) |
| Net cash used in investing activities | | (153,441,657) | (37,992,018) |
| Cashflow from Financing Activities | | | |
| Proceeds from issue of shares | | 139,407,069 | 21,458,390 |
| Proceeds from issue of convertible notes | | - | 1,066,565 |
| Transaction costs on issue of shares | | (6,163,295) | (815,101) |
| Transaction costs on borrowings | | (78,720) | (3,072,222) |
| Proceeds from borrowings | | 9,969,168 | 88,655,183 |
| Repayment of borrowings | | (4,539,446) | (3,118,384) |
| Lease repayment | | (361,254) | (53,700) |
| Net cash from financing activities | | 138,233,522 | 104,120,731 |
| Net (decrease) / increase in cash and cash equivalents | | (20,040,825) | 62,025,109 |
| Cash and Cash equivalent at the beginning of the financial year | | 65,487,915 | 3,462,806 |
| Cash and Cash equivalents at the end of the financial year | 9 | 45,447,090 | 65,487,915 |

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year. Please refer to new and amended standards and interpretations section below.

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

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2021 are outlined below:

(i) Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments are effective for annual periods beginning on or after 1 January 2022. They are not expected to have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are effective for annual periods beginning on or after 1 January 2024. They are not expected to have a significant impact on the Group's consolidated financial statements.

(iv) Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

(v) Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

(vi) Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

Going concern

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

The directors believe the consolidated entity will continue as a going concern and meet its debts and commitments as and when they fall due.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the consolidated entity presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

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

Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genex Power Limited ('Genex', 'Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the

year then ended. Genex Power Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Current versus non-current classification

The consolidated entity presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of electricity and environmental products

Revenue from the sale of *electricity and environmental product* is recognised at the point in time when control of the asset is transferred to the buyer and the consolidated entity has the right to be compensated.

Fair value measurement

The consolidated entity measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the consolidated entity.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The consolidated entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the consolidated entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Genex Power Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax

consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventory

Recognition and measurement

Large-scale Generation Certificates (LGCs) held in inventory are valued at the lower of cost and net realisable value. Upon sale, the difference between the sale price and the book value of inventory is recorded as a component of revenue.

Leases

Prior to the introduction of AASB 16 Leases, the Group recognises certain contracts as arrangements that may contain a lease in accordance with Interpretation 4 – Determining Whether an Arrangement Contains a Lease and AASB 117 Leases.

Upon transition, the Group applied the practical expedient outlined in AASB 16 Leases whereby contracts that were previously identified as leases by applying AASB 117 Leases and Interpretation 4 – Determining Whether an Arrangement Contains a Lease are not required to be reassessed at the date of initial application.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Consolidated entity as a lessor

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

Interest

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

Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All borrowing costs are capitalized in the period in which they occur.

Borrowing costs not attributable to qualifying assets are expensed

Plant, Property and Equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the consolidated entity depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgements, estimates and assumptions (Note 2) and Rehabilitation and restoration provisions (Note 24) for further information about the recognised decommissioning provision.

Depreciation is calculated on a diminishing value or straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|---------------------------------|-------------------------------|
| Kidston/Jemalong Solar Projects | 20 to 30 years |
| Right of Use Asset | Amortised over the lease term |
| Furniture and fitting | Less than 5 years |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Work in Progress Capital Assets

Work in Progress Capital Assets represent project development costs incurred prior to commencement of projects operation. Work in Progress Capital assets are not amortised, but are transferred to Plant, Property and Equipment and depreciated from the time the asset is held ready for use on a commercial basis.

Pre-development Asset

Pre-development Assets represent value of existing assets associated with acquisition. Pre-development assets are not amortised, but are transferred to Plant, Property and Equipment and depreciated from the time the asset is held ready for use on a commercial basis.

Intangible assets

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

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

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

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Provisions

General

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the consolidated entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation and restoration liability

The Company records the present value of the estimated cost of legal and constructive obligations to rehabilitate mining lease areas in the period in which the obligation is incurred. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. When the liability is initially recorded, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in the

present value based on a discount rate. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The unwinding of the effect of discounting the provision is recorded as a finance charge in the profit or loss. The carrying amount capitalised as a part of mining assets is depreciated/ amortised over the life of the related asset.

Long service leave and annual leave

The consolidated entity does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The consolidated entity recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share based payment transactions

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for rendering of services. The costs of equity-settled transactions are measured at fair value on grant date. The fair value of the share options is estimated at the grant date using a binomial option pricing model taking into account the terms and conditions on which the share options were granted. Non-Market Performance condition are only considered in determining the number of instruments that will ultimately vest. Market performance conditions are accounted for as part of the award of the fair value of the option at grant date.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in the profit and loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Convertible notes

For the convertible notes with cash settlement at the option of the issuer, the whole convertible notes are treated as financial liability, which is subsequently valued at amortised cost using effective interest rate method. The conversion right is accounted for as a derivative at fair value, with changes in value included in profit or loss.

Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS are based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding adjusted for the diluting impact of potential equity instruments.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component.

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

Derecognition

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

iii) Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The consolidated entity uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gain or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of

changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The consolidated entity uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as interest rate swaps for its exposure to interest rate risks. The ineffective portion relating to both the forward currency contracts and interest rate swaps are recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the

circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next year are discussed below.

Impairment of non-financial assets

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

The significant judgements, estimates and assumptions applied by management when testing for impairment includes forecast electricity and energy certificate prices, generation profiles, marginal loss factors and discount rates.

Fair value measurement of financial instruments

When the fair values of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the binomial tree lattice methodology. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk, expected volatility and expected dividend yield. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 22 for further disclosures.

Note 3. Operating Segment

Management has determined that the consolidated entity has one reportable segment: the development and operation of Renewable Energy projects in Australia. All directors, (except for Mr Yongqing Yu, based in China and Mr Kenichi Seshimo, based in Japan) executive and operating management are based in Australia.

Note 4 Capital management

For the purpose of the consolidated entity's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the consolidated entity's capital management is to maximise the shareholder value.

The consolidated entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the consolidated entity may adjust the dividend payment to shareholders, return capital to shareholders or issue

new shares. The consolidated entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The consolidated entity's policy is to keep the gearing ratio under 90%. The consolidated entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

| | CONSOLIDATED | |
|---|---------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Interest-bearing loans and borrowings - current | 7,735,557 | 5,056,400 |
| Interest-bearing loans and borrowings - non-current | 182,014,318 | 177,240,388 |
| Convertible note | - | 5,739,583 |
| Short-term interest accrued | 1,159,775 | 1,007,835 |
| Long-term interest accrued | - | 604,545 |
| Trade and other payables | 11,763,284 | 22,373,670 |
| Less: cash and short-term deposits | (45,447,090) | (65,487,915) |
| Net debt | 157,225,844 | 146,534,506 |
| Equity | 134,293,704 | 11,381,239 |
| Total capital | 134,293,704 | 11,381,239 |
| Capital and net debt | 291,519,548 | 157,915,745 |
| Gearing ratio | 53.9% | 92.8% |

In order to achieve this overall objective, the consolidated entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

Note 5. Revenue

| | CONSOLIDATED | |
|--|--------------|--------------|
| Note | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| KSI Lease Revenue | 10,584,726 | 10,253,756 |
| LGC Sales | 45,514 | - |
| Sales of electricity and environmental products and lease income | 10,630,240 | 10,253,756 |

| | | |
|---|-------------------|-------------------|
| Government Grant | | |
| <i>ARENA convertible note termination</i> | 7,873,108 | - |
| <i>ARENA Government Grant</i> | 442,500 | 443,712 |
| R&D Refund | - | 1,234,815 |
| Others | 12,000 | 209,983 |
| Avoided TUOS | 112,001 | 99,138 |
| Liquidated Damages | 2,564,832 | - |
| Fuel Tax Credit | 15,615 | 16,607 |
| Other income | 11,020,056 | 2,004,255 |
| Total revenue | 21,650,296 | 12,258,011 |

KS1 Lease Revenue

Lease revenue relates to revenue earned from the KS1 under the Queensland government Solar150 Price Support Deed. As noted in the Significant Accounting policies note, prior to the introduction of AASB 16 Leases, the Group recognised certain contracts as arrangements that may contain a lease in accordance with Interpretation 4 – *Determining Whether an Arrangement Contains a Lease and AASB 117 Leases*.

Upon transition, the Group applied the practical expedient outlined in AASB 16 *Leases* whereby contracts that were previously identified as leases by applying AASB 117 *Leases* and Interpretation 4 – *Determining Whether an Arrangement Contains a Lease* are not required to be reassessed at the date of initial application.

Liquidated damages

Liquidated damages refer to settlement payment received from UGL to address performance issues which arose post the construction of KS1. \$2.56m was agreed and received from UGL during the financial year ended 30 June 2021.

Note 6. Expenses

| | | CONSOLIDATED | |
|--|-------------|---------------------|---------------------|
| | Note | 30 June 2021 | 30 June 2020 |
| | | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | | |
| <i>Finance costs</i> | | | |
| Commitment Fee - CEFC | | 69,001 | 47,374 |
| Interest on CEFC Corporate Loan | | 1,082,357 | - |
| Interest on Senior bank loan | | 4,132,445 | 3,691,644 |

| | | | |
|---|----|------------------|------------------|
| Finance charges | | 142,451 | 86,012 |
| Hedge ineffectiveness (due to overhedging) | | - | 14,437 |
| Hedge ineffectiveness at novation date | | - | 14,620 |
| Interest on convertible notes and lease | | 284,374 | 574,419 |
| | | 5,710,628 | 4,428,506 |
| <i>Project site costs</i> | | | |
| Research and development expenditure for Kidston Pumped Hydro Project | | 1,358,428 | 3,841,189 |
| <i>Impairment cost</i> | | | |
| Jemalong impairment | | 16,500,000 | - |
| <i>Employee benefits</i> | | | |
| Defined contribution superannuation expense | | 255,325 | 190,732 |
| Share-based payments expense | 25 | 79,606 | 2,270,073 |
| Wages and salaries | | 4,458,675 | 2,785,720 |
| JobKeeper subsidy | | - | (120,000) |
| Payroll tax | | 168,251 | 79,477 |
| Workers' Compensation | | 8,684 | 6,522 |
| Fringe Benefit Tax | | 11,624 | 11,624 |
| Employee entitlements | | 265,215 | 108,612 |
| | | 5,247,380 | 5,332,760 |

Note 7. Finance income

| | CONSOLIDATED | |
|------------------|---------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Interest revenue | 53,702 | 135,228 |
| | 53,702 | 135,228 |

Note 8. Income tax expense

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |

| Numerical reconciliation of income tax benefit and tax at the statutory rate | | |
|---|--------------|--------------|
| Loss before income tax benefit | (18,725,873) | (10,534,250) |
| Tax at the statutory tax rate of 26% | (4,868,727) | (2,896,919) |
| Permanent differences | - | - |
| Tax loss not recognised | 4,868,727 | 2,896,919 |
| Income tax expense | - | - |

The accumulated tax loss (tax effected) that arose in Australia as at 30 June 2021 is \$17,341,844 (30 June 2020: \$12,473,117). These are available indefinitely for offsetting against future taxable profits of the companies in which the loss arose. Additionally, there are \$39,249,668 (30 June 2020: \$39,249,668) of transferred tax losses (tax effected) as of 30 June 2021 that can be utilised subject to the available fraction.

No tax losses have been recognised as at 30 June 2021.

Tax consolidation

- (i) Members of the tax consolidated group and the tax sharing arrangement

Genex Power Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005. Genex Power Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote. Genex Solar Holding Pty Limited (99.99% owned by Genex Power Limited) and Genex (Solar) Pty Limited formed a separate tax consolidated group in 2017.

- (ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the consolidated entity is based on taxable income, which is an

acceptable method of allocation under AASB Interpretation 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Note 9. Cash at bank

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 45,447,090 | 65,487,915 |
| Cash at bank | 45,447,090 | 65,487,915 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 10. Trade and other receivables

| | 30 JUNE 2021 | 30 JUNE 2020 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade debtors | 1,194,151 | 3,360,647 |
| Government subsidies receivable | - | 120,000 |
| Trade and other receivables | 1,194,151 | 3,480,647 |

Trade receivables are generally due for settlement within 30 days. As at 30 June 2021 and 30 June 2020, trade receivables are neither past due nor impaired

Note 11. Prepayments

| | 30 JUNE 2021 | 30 JUNE 2020 |
|--------------------|------------------|----------------|
| Subscriptions | 372,972 | 16,381 |
| K2 Hydro insurance | 2,374,163 | - |
| | 2,747,135 | 414,340 |

Note 12. Bond, Deposits and Bank Guarantee

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Ergon Bond (Removal and Security Defects) | 231,818 | 231,818 |
| Construction Camp Bond | 83,034 | 83,034 |
| K2 Wind Project Land Bond | 12,000 | 12,000 |
| Electricity Bond | 6,011 | 6,011 |
| Ergon Connection Bond | 42,000 | 42,000 |
| Sydney Office Bond | 112,246 | 112,246 |
| AEMO Bond | 26,000 | 10,000 |
| Sydney Office Deposit | 18,469 | 18,469 |
| Speedcast Bond | 5,200 | 5,200 |
| Site Accommodation Bond | 117,000 | 117,000 |
| Brisbane Office Bond | 26,312 | 4,200 |
| Environmental Bond | 4,075,410 | 4,075,410 |
| Powerlink Bond | 275,000 | - |
| | 5,030,500 | 4,717,388 |

The environmental bond is held by the State of Queensland (the State) as security for compliance with the requirements of Mineral Resources Act 1989 and the Environmental Protection Act 1994. The environmental bond is held in the name of Kidston Gold Mines Limited, a wholly owned subsidiary of Genex and the 100% freehold owner of the Kidston site. The environmental bond will be released upon satisfactory restoration and rehabilitation of the mine site.

Note 13. Other Assets

| | 30 JUNE 2021 | 30 JUNE 2020 |
|--|------------------|--------------|
| | \$ | \$ |
| K2 Hydro Construction Insurance Prepayment | 7,418,236 | - |
| K3 Wind development cost | 477,722 | - |
| Bouldercombe development cost | 1,187,577 | - |
| | 9,083,535 | - |

Note 14. Property, Plant and Equipment

| | 30 JUNE 2021 | 30 JUNE 2020 |
|------------------------|--------------------|--------------------|
| | \$ | \$ |
| Land and Site Office | 380,935 | 380,935 |
| Motor Vehicle | - | 23,210 |
| Kidston Solar Project | 97,366,727 | 103,262,272 |
| Kidston Hydro Project | 103,813,334 | 4,753,000 |
| Jemalong Solar Project | 86,849,171 | 64,445,487 |
| Pre-development assets | 3,918,777 | 3,918,777 |
| Right Of Use Asset | 3,885,845 | 3,006,701 |
| Furniture and Fittings | 19,129 | 16,624 |
| | 296,233,918 | 179,807,006 |

| | LAND AND SITE OFFICE | MOTOR VEHICLE | KIDSTON HYDRO PROJECT | KIDSTON SOLAR PROJECT | JEMALONG SOLAR PROJECT | PRE- DEVELOPMENT ASSET | ROU | FURNITURE AND FITTING | TOTAL |
|--|----------------------------|------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------|-----------------------------|---------------------|
| <i>Cost</i> | | | | | | | | | |
| At 30 June 2019 | 380,935 | - | 1,891,556 | 121,651,095 | - | 3,918,777 | - | 44,990 | 127,887,353 |
| Additions: | - | 25,320 | 2,861,444 | - | 58,650,110 | - | 3,279,688 | 4,407 | 64,820,969 |
| Refunds against previously capitalised cost*s: | - | - | - | (1,301,820) | - | - | - | - | (1,301,820) |
| Transfers from intangibles | - | - | - | - | 5,795,377 | - | - | - | 5,795,377 |
| At 30 June 2020 | 380,935 | 25,320 | 4,753,000 | 120,349,275 | 64,445,487 | 3,918,777 | 3,279,688 | 49,398 | 197,201,879 |
| Additions: | - | - | 99,060,335 | - | 38,903,684 | - | 1,208,855 | 7,334 | 139,205,528 |
| Disposals: | - | - | - | - | - | - | - | - | - |
| At 30 June 2021 | 380,935 | 25,320 | 103,813,335 | 120,349,275 | 103,349,171 | 3,918,777 | 4,488,543 | 56,732 | 336,407,408 |
| <i>Depreciation or impairment</i> | | | | | | | | | |
| At 30 June 2019 | - | - | - | (9,367,263) | - | - | - | (21,110) | (9,388,373) |
| Depreciation charge for the year | - | (2,111) | - | (7,719,740) | - | - | (272,987) | (11,663) | (8,006,501) |
| At 30 June 2020- | - | (2,111) | - | (17,087,003) | - | - | (272,987) | (32,774) | (17,394,874) |
| Depreciation charge for the year | - | (23,211) | - | (5,895,545) | - | - | (329,712) | (4,829) | (6,253,296) |
| Impairment charge | - | - | - | - | (16,500,000) | - | - | - | (16,500,000) |
| At 30 June 2021 | - | (25,321) | - | (22,982,548) | (16,500,000) | - | (602,699) | (37,603) | (40,148,170) |
| Net book value 30 June 2021 | 380,935 | - | 103,813,335 | 97,366,727 | 86,849,171 | 3,918,777 | 3,885,844 | 19,129 | 296,233,918 |

Impairment

The recognition of the impairment on JSP was a result of an impairment assessment triggered by the decrease in wholesale electricity prices. In assessing whether impairment is required, the recoverable value for JSP has been calculated using a value-in-use (“VIU”) approach by forecasting forward price curve and generation and comparing this against the book value for the asset.

Capitalised borrowing costs

The carrying amount of KS1 at 30 June 2021 was \$97,366,727 (30 June 2020 \$103,262,272). KS1 and JSP are financed by a \$175M senior debt facility with third party banks. Interest on the JSP construction loan facility is to be capitalised until the construction of the JSP is completed. Genex is currently finalising documentation with lenders and EPC contractor for practical completion at JSP to be effective as of 30 June 2021. The amount of interest costs capitalised during the year ended 30 June 2021 was \$2,187,329 using a borrowing rate of 3.20% (30 June 2020: \$161,530 and a borrowing rate of 1.75%).

Note 15. Trade and other payables

| | 30 JUNE 2021 | 30 JUNE 2020 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Current | | |
| Trade creditors and accruals | 11,763,284 | 22,373,670 |
| | 11,763,284 | 22,373,670 |

The majority of the balance at 30 June 2021 represents EPC payments for the K2 Hydro project, whereas the majority of the balance at 30 June 2020 was related to the construction of JSP

Note 16. Interest-bearing loans and borrowings

| | 30 JUNE 2021 | 30 JUNE 2020 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| CEFC Corporate Loan | 1,047,572 | - |
| 175m Senior Bank Debt | 6,687,985 | 5,056,400 |
| | 7,735,557 | 5,056,400 |

The Senior Bank Debt represents the portion of the \$175m Senior Bank Loan which must be repaid within 12 months. The terms and conditions of the \$175m Senior Bank Loan are included in Note 22.

At 30 June 2021, the Group had no undrawn committed borrowing facilities (30 June 2020: \$6,969,169)

Note 17. Government Grant

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| ARENA Grant (Current) | 442,500 | 442,500 |
| ARENA Grant (Non-Current) | 6,859,357 | 7,301,856 |
| | 7,301,857 | 7,744,356 |

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

Note 18. Cash flow hedge

At 30 June 2021, the Group had a number of interest rate swap agreements in place with a total notional amount of \$170m (2020: \$168m). The fixed rate the Group and the floating rate the Group pays is shown in the table below receives an average fixed rate of interest of 2.02% and pays interest at a variable rate equal to 3 months BBSW + 0.05% on the notional amount.

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

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

The hedge ineffectiveness can arise from:

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

The table below represents the key terms and conditions of the two swaps as at 30 June 2021 and three swaps as at 30 June 2020. The Construction Swap was concluded in March 2021.

| | COUNTERPARTY | CCY | NOTIONAL | EFFECTIVE DATE | MATURITY DATE | LEG | RATE (IN %) | MARGIN (IN BPS) | FREQUENCY | DAY COUNT | CASH FLOW DERIVATIVE LIABILITY |
|-------------------------------------|-------------------|-----|---------------|----------------|---------------|-----------------------------|-------------|-----------------|-----------|--------------------|--------------------------------|
| As at 30 June 2021 | | | | | | | | | | | |
| Term IRS | NORD, DZB and WBC | AUD | \$122,789,387 | 17 Dec 2019 | 17 Jan 2030 | Receive Float Pay fix | 1.5525 | 5 | Quarterly | Act / 365 Fixed | (1,066,670) |
| Novation IRS | NORD and DZB | AUD | \$47,208,234 | 1 Oct 2019 | 1 Jan 2027 | Receive Float Pay fix | 3.2350 | 5 | Quarterly | Act / 365 Fixed | (5,421,082) |
| | | | | | | | | | | | (6,487,752) |
| As at 30 June 2020 | | | | | | | | | | | |
| Tranche A - Term IRS | NORD, DZB and WBC | AUD | \$48,505,765 | 17 Dec 2019 | 17 Jan 2030 | Receive Float Pay fix | 1.5525 | 5 | Quarterly | Act / 365 Fixed | (6,659,093) |
| Tranche A - Novation IRS | NORD and DZB | AUD | \$51,197,443 | 1 Oct 2019 | 1 Jan 2027 | Receive Float Pay fix | 3.2350 | 5 | Quarterly | Act / 365 Fixed | (7,869,868) |
| Tranche B - Construction IRS | WBC | AUD | \$2,796,368 | 17 Jan 2020 | 17 Mar 2021 | Receive Float Pay fix | 0.72 | | Quarterly | Act / 365 Fixed | (288,184) |
| | | | | | | | | | | | (14,817,145) |

On 17 December 2019, Genex novated the interest rate swap with Societe Generale (SGCIB) designated as the hedging instrument in the old hedging relationship, into two interest rate swaps with Nord Bank and DZ Bank. No cash payment was involved as part of this transaction. The \$6.6m MTM on the old swap as at novation date was embedded in the fixed leg of the new interest rate swaps as a financing element. The novation is considered as termination of the SGCIB hedge thus the discontinuation of the old hedging relationship. As there was no cash settlement involved in the termination of the swap as at 17 December 2019 with SGCIB, which at this date had an out of the money balance of

\$6.6m. As explained in previous sections, this amount was embedded in the fixed leg of the 2 interest rate swaps with Nord and DZ Bank (replacing the old swap with SGCIB). Therefore, there is no impact on the balance sheet and profit and loss as at novation date on 17 December 2019.

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

| | TOTAL HEDGING GAIN/LOSS RECOGNIZED IN OCI | INEFFECTIVENESS RECOGNIZED IN PROFIT AND LOSS | LINE ITEM IN THE STATEMENT OF PROFIT AND LOSS | AMOUNT RECLASSIFIED FROM OCI TO PROFIT OR LOSS |
|------------------------------|---|---|---|--|
| Tranche A - Term IRS | (\$5,592,423) | Nil | Finance cost | Nil |
| Tranche A - Novation IRS | (\$2,448,786) | Nil | Finance cost | Nil |
| Tranche B - Construction IRS | (\$288,184) | Nil | Finance cost | Nil |
| | (\$8,329,393) | Nil | | Nil |

For FY21, there is no hedge ineffectiveness recognized in the statement of profit and loss.

Note 19. ARENA Convertible Note

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------------------------|--------------|------------------|
| | \$ | \$ |
| Convertible note - Current | - | 1,536,446 |
| Convertible note - Non-current | - | 4,203,137 |
| | - | 5,739,583 |

During the year it was agreed with ARENA under the Deed of Mutual Termination, Cancellation and Release (“the Deed”) dated 15 April 2021 that the convertible notes would be terminated in their entirety. As such, on 15 April 2021 the convertible notes were cancelled by ARENA.

Note 20: Financial assets and financial liabilities

Financial assets

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Financial assets at amortised cost | | |
| Trade and other receivables | 1,194,151 | 3,480,647 |
| Cash at bank | 45,447,090 | 65,487,915 |
| Total financial assets | 46,641,241 | 68,968,562 |
| Total current | 46,641,241 | 68,968,562 |
| Bank guarantee/Bonds | 5,030,500 | 4,717,388 |
| Total non-current | 5,030,500 | 4,717,388 |

Financial liabilities: interest-bearing loans and borrowings

| | WEIGHTED AVERAGE INTEREST RATE | EFFECTIVE INTEREST RATE | MATURITY | 30 JUNE 2021 | 30 JUNE 2020 |
|-----------------------------|---|-------------------------------|----------|--------------|--------------|
| | % | % | \$ | \$ | \$ |
| Non-derivatives | | | | | |
| Non-interest bearing | | | | | |
| Trade and other payables | N/A | | N/A | 11,763,284 | 22,373,670 |

Interest-bearing - fixed rate

| | | | | | |
|----------------------------------|-------|-------|------------------|-------------|-------------|
| \$175m Senior Bank Loan | 2.03% | 2.24% | 9 February 2023 | 168,293,381 | 165,139,533 |
| \$17m CEFC Corporate Loan | 7.07% | 7.47% | 17 December 2025 | 21,456,493 | 17,157,256 |
| Convertible notes | 0% | 6.26% | | - | 5,739,583 |
| Total non-derivatives | | | | 201,513,158 | 210,410,042 |

Convertible notes have been forgiven by ARENA as at 15 April 2021.

There have been no amounts pledged as collateral.

Other financial liabilities

| | 30 JUNE 2021 | 30 JUNE 2020 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Derivatives not designated as hedging instruments | | |
| Embedded derivatives - convertible note* | - | 530,457 |
| Derivatives designated as hedging instruments | | |
| Interest rate swaps | 6,487,752 | 14,817,145 |
| Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings | | |
| Trade and other payables | 11,763,284 | 22,373,670 |
| Total financial liabilities | 18,251,036 | 37,721,272 |
| Total current | 11,763,284 | 22,500,768 |

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

Embedded derivatives for convertible notes represent conversion rights which are accounted for as a derivative with changes in value recognised through profit and loss. During the year the Convertible Note was forgiven by ARENA, and embedded derivatives associated with the Convertible notes have been de-recognised accordingly.

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk and liquidity risk. This note presents information about the consolidated entity's exposure to each of the above risks, the consolidated entity's objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations. The consolidated entity's trade and other receivables consist of an amount receivable from the Australian tax authority. The consolidated entity's cash and cash equivalents consist of cash in bank accounts lodged with reputable banks in Australia. Accordingly, the consolidated entity views credit risk as minimal.

The maximum exposure to credit risk is as follows:

| | 30 JUNE 2021 | 30 JUNE 2020 |
|-----------------------------|--------------|--------------|
| | \$ | \$ |
| Cash at bank | 45,447,090 | 65,487,915 |
| Trade and other receivables | 1,194,151 | 3,480,647 |
| Bank guarantee | 5,030,500 | 4,717,388 |
| | 51,671,741 | 73,685,950 |

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity aims to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the consolidated entity's holdings of cash and cash equivalents. The consolidated entity's cash and cash equivalents are invested in business accounts, which are available upon demand for the consolidated entity's requirements.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and debt facilities or by facilitating additional capital raising and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

Note 22 details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and

principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| YEAR ENDED 30 JUNE 2021 | ON DEMAND | LESS THAN 3 MONTHS | 3 TO 12 MONTHS | 1 TO 5 YEARS | >5 YEARS | TOTAL |
|--|-----------|--------------------|-------------------|--------------------|------------------|---------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Senior Bank Debt including establishment fee | | 852,029 | 5,835,956 | 161,605,396 | - | 168,293,381 |
| CEFC Corporate Loan | | - | 1,047,571 | 20,408,922 | - | 21,456,493 |
| Interest | | 1,193,320 | 3,506,958 | 12,016,971 | - | 16,717,249 |
| Interest Rate SWAP | | - | - | - | 6,487,752 | 6,487,752 |
| Trade and other payables | | 11,763,284 | - | - | - | 11,763,284 |
| Lease liabilities | | 199,164 | 638,944 | 3,650,167 | 1,765,428 | 6,253,703 |
| | | 14,007,797 | 11,029,429 | 198,127,349 | 8,253,180 | 2310,971,862 |

| YEAR ENDED 30 JUNE 2020 | ON DEMAND | LESS THAN 3 MONTHS | 3 TO 12 MONTHS | 1 TO 5 YEARS | >5 YEARS | TOTAL |
|--|-----------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Senior Bank Debt including establishment fee | | 917,867 | 3,621,579 | 170,007,436 | - | 174,546,882 |
| CEFC Corporate Loan | | - | - | 3,118,046 | 15,452,814 | 18,570,860 |
| Convertible Notes | | - | 1,536,446 | 4,203,137 | - | 5,739,583 |
| Interest | | 800,969 | 3,748,605* | 16,585,017 | 7,778,212 | 28,912,803 |
| Interest Rate SWAP | | - | - | - | 14,817,145 | 14,817,145 |
| Trade and other payables | | 22,373,670 | - | - | - | 22,373,670 |
| Lease liabilities | | 166,511 | 504,014 | 3,024,139 | 1,610,792 | 5,305,456 |
| | | 24,259,017 | 13,613,781 | 192,734,638 | 35,658,963 | 270,266,399 |

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

Note 21. Fair value measurement

The following table provides the fair value measurement hierarchy of the consolidated entity's liabilities.

Fair value measurement hierarchy for liabilities as at 30 June 2021:

| 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) |
| Derivative financial liabilities | | | | | |
| Interest rate swaps | 30 June 2021 | 6,487,752 | - | 6,487,752 | - |
| Embedded derivatives | 30 June 2021 | - | - | - | - |

Fair value measurement hierarchy for liabilities as at 30 June 2020:

| 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) |
| Derivative financial liabilities | | | | | |
| Interest rate swaps | 30 June 2020 | 14,817,145 | - | 14,817,145 | - |
| Embedded derivatives | 30 June 2020 | 530,457 | - | 530,457 | - |

The consolidated entity enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and the interest rate curves. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the consolidated entity's own non-performance risk. As at 30 June 2021 the marked-to-market value of derivative positions is net of a debit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The conversion right and early redemption option embedded in the convertible notes are measured using binomial tree lattice methodology with the spot price of the consolidated entity's own share, expected

volatility and expected dividend yield of the share, risk free interest rate and asset default threshold as the key inputs.

Note 22. Interest-bearing loans and borrowings (non-current)

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------|--------------------|--------------------|
| | \$ | \$ |
| Senior bank debt | 161,605,396 | 160,083,132 |
| CEFC Corporate Loan | 20,408,922 | 17,157,256 |
| | 182,014,318 | 177,240,388 |

Genex Power has a senior bank facility of \$175M with Westpac, DZ Bank, Nord and \$20m with the Clean Energy Finance Corporation (CEFC).

- Key terms of the senior bank debt:
 - Interest rate for Tranche A – base rate (BBSY) + 1.75%
 - Interest rate for Tranche B – base rate (BBSY) + 1.65%
 - Tranche A and Tranche B will be repaid by 17 December 2024
 - Interest rate for CEFC – 6 Year ask yield +6% and will be repaid by 17 December 2025

Note 23. Rehabilitation and restoration provisions/Provisions

| | 30 JUNE 2021 | 30 JUNE 2020 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Other Provisions | 10,208 | 11,399 |
| Rehabilitation and provisions | 3,804,311 | 3,804,311 |
| | 3,820,200 | 3,820,200 |
| FBT Provision | 2,906 | 2,906 |
| Provision for Superannuation | 69,870 | - |
| Provision for Long Service Leave | 137,711 | - |
| PAYG Provision | 107,376 | 79,452 |
| Annual Leave Provision | 479,550 | 292,536 |
| | 791,732 | 370,404 |

The Rehabilitation and restoration provisions represent the deposit the consolidated entity contributed to the Department of Environment and Heritage Protection, QLD Government. This deposit will only be released when QLD Government relieve the consolidated entity of this obligation and the bank guarantee securing this bond is returned to the consolidated entity.

Note 24. Equity

| | 30 JUNE 2021 | 30 JUNE 2020 | 30 JUNE 2021 | 30 JUNE 2020 |
|--|----------------------|--------------------|--------------------|-------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary shares issued and fully paid | 1,069,900,045 | 401,841,355 | 195,788,112 | 62,542,338 |

Movements in ordinary share capital

| DETAILS | DATE | NO OF SHARES | ISSUE PRICE | \$ |
|---------------------|---------------------|----------------------|-------------|--------------------|
| Balance | 30 June 2019 | 312,431,514 | | 41,899,049 |
| Equity Raising | 3 July 2019 | 67,482,878 | \$0.24 | 16,195,891 |
| Equity Raising | 26 July 2019 | 21,926,963 | \$0.24 | 5,262,500 |
| Equity Raising Fee | 2 July 2019 | | | (815,101) |
| | 30 June 2020 | 401,841,355 | | 62,542,339 |
| Balance | 30 June 2020 | 401,841,355 | | 62,542,339 |
| Equity Raising | 17 August 2020 | 96,712,552 | \$0.22 | 21,276,761 |
| Share purchase plan | 7 September 2020 | 12,952,092 | \$0.22 | 2,849,460 |
| Equity Raising | 6 April 2021 | 280,033,073 | \$0.20 | 56,006,614 |
| Equity Raising | 23 April 2021 | 171,370,968 | \$0.20 | 34,274,193 |
| Equity Raising | 18 May 2021 | 106,990,005 | \$0.23 | 25,000,000 |
| Equity Raising Fee | | | | (6,163,255) |
| Balance | 30 June 2021 | 1,069,900,045 | | 195,786,112 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. The shares have no par value.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Share Option Reserve

| | SHARE-BASED PAYMENTS |
|--|----------------------|
| | \$ |
| As 30 June 2019 | 2,178,469 |
| Share-based payments expense during the year | 2,270,073 |
| As 30 June 2020 | 4,448,542 |
| Share-based payments expense during the year | 79,606 |
| As 30 June 2021 | 4,528,148 |

Nature and purpose of reserves

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration. Refer following for further details of these plans.

All other reserves are as stated in the consolidated statement of changes in equity.

| | |
|--|------------|
| OPTIONS AT THE START OF THE PERIOD (01/07/2020) | 42,250,000 |
| Granted during the year | - |
| Forfeited during the year | - |
| Exercised during the year | - |
| Expired during the year | 5,000,000 |
| Outstanding at the end of the year | 37,250,000 |
| Vested and exercisable at the end of the year (30/06/2021) | 37,250,000 |

| | |
|---|------------|
| OPTIONS AT THE START OF THE PERIOD (01/07/2019) | 27,750,000 |
| Granted during the year | 14,500,000 |

| | |
|--|------------|
| Forfeited during the year | - |
| Exercised during the year | - |
| Expired during the year | - |
| Outstanding at the end of the year | 42,250,000 |
| Vested and exercisable at the end of the year (30/06/2020) | 18,583,166 |

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

EXECUTIVE GENERAL MANAGER OPTIONS

| | |
|---------------------------------|---|
| Number | 2,400,000 |
| Value per option | \$0.0602 |
| Subscription price per option | \$Nil |
| Each option is convertible into | 1 ordinary share in the parent entity |
| Exercise price per option | \$0.25 |
| Vesting condition | <p>The options will vest in 3 separate tranches upon the achievement of the following 3 milestones:</p> <ul style="list-style-type: none"> • Financial close of the Kidston Solar Phase One 50MW project; • Financial close of the Kidston Pumped Storage Hydro project; • Successful completion of a feasibility study for another project. <p>If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2020, 800,000 options have been vested. As at 30 June 2021, all options have been vested.</p> |
| Issue date | 2 September 2016 |
| Expiry date | 2 September 2021 |
| Option exercise period | At any time from date of vesting |
| Other conditions | None |

DIRECTOR OPTIONS

| | |
|---------------------------------|---------------------------------------|
| Number | 14,000,000 |
| Value per option | \$0.0851 |
| Subscription price per option | \$Nil |
| Each option is convertible into | 1 ordinary share in the parent entity |
| Exercise price per option | \$0.34 |
| Vesting condition | Vesting on issue date |
| Issue date | 17 January 2017 |

| | |
|------------------------|--|
| Expiry date | 17 January 2022 |
| Option exercise period | At any time from date of issue to date of expiry |
| Other conditions | None |

COMPANY SECRETARY OPTIONS

| | |
|---------------------------------|---------------------------------------|
| Number | 1,500,000 |
| Value per option | \$0.1002 |
| Subscription price per option | \$Nil |
| Each option is convertible into | 1 ordinary share in the parent entity |
| Exercise price per option | \$0.34 |
| Vesting condition | The options vested on 1 January 2019. |
| Issue date | 7 July 2017 |
| Expiry date | 17 January 2022 |
| Option exercise period | At any time from date of vesting |
| Other conditions | None |

MANAGEMENT OPTIONS

| | |
|---------------------------------|---|
| Number | 4,850,000 |
| Value per option | \$0.1296 |
| Subscription price per option | \$Nil |
| Each option is convertible into | 1 ordinary share in the parent entity |
| Exercise price per option | \$0.40 |
| Vesting condition | <p>The options will vest in 2 separate tranches upon the achievement of the following 3 milestones:</p> <ul style="list-style-type: none"> Financial close of the Kidston Stage 2 Projects Successful completion of a bankable feasibility study for another project of not less than 30MW. <p>If a milestone is not achieved, then the options for that milestone will lapse unvested. As at 30 June 2020, 1,616,500 options have been vested. As at 30 June 2021 all options have vested.</p> |
| Issue date | 23 February 2018 |
| Expiry date | 13 February 2023 |
| Option exercise period | At any time from date of vesting |
| Other conditions | None |

DIRECTORS OPTIONS

| | |
|-------------------------------|------------|
| Number | 14,500,000 |
| Value per option | \$0.15 |
| Subscription price per option | \$Nil |

| | |
|---------------------------------|---------------------------------------|
| Each option is convertible into | 1 ordinary share in the parent entity |
| Exercise price per option | \$0.34 |
| Vesting condition | Vesting on issue date |
| Issue date | 10 September 2019 |
| Expiry date | 10 September 2024 |
| Option exercise period | At any time from date of vesting |
| Other conditions | None |

Note 25. Share-based payments

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

| | 30 JUNE 2021 | 30 JUNE 2020 |
|--|---------------|------------------|
| | \$ | \$ |
| Expense arising from equity-settled share-based payment transactions | 79,606 | 2,270,073 |
| Total expense arising from share-based payment transactions | 79,606 | 2,270,073 |

There were no cancellations or modifications to the share-based payment awards for the year ended 30 June 2021 and 30 June 2020.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2021 NUMBER | 2021 WAEP | 2020 NUMBER | 2020 WAEP |
|--------------------------------|-------------|-----------|-------------|-----------|
| Outstanding at 1 July | 42,250,000 | 0.33 | 27,750,000 | 0.33 |
| Granted during the year | - | - | 14,500,000 | 0.34 |
| Expired during the year | 5,000,000 | 0.25 | - | - |
| Outstanding at 30 June | 37,250,000 | 0.34 | 42,250,000 | 0.33 |
| Exercisable at 30 June | 37,250,000 | 0.34 | 18,583,166 | 0.33 |

On 2 September 2016, the board of directors authorised the issue of 2,400,000 share options in the consolidated entity to James Harding (former Executive General Manager and current CEO), \$95,073 has been recognised as an expense in FY20 for this grant. \$9,979 has been recognised as expenses in FY21.

On 23 February 2018, the board of directors authorised the issue of 4,850,000 share options in the consolidated entity to the senior management team, \$182,433 has been recognised as an expense in FY20 and \$79,606 in FY21.

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

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

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | 30 JUNE 2021 | 30 JUNE 2020 |
|------------------------------|--------------|--------------|
| | \$ | \$ |
| Short-term employee benefits | 3,107,538 | 1,904,572 |
| Superannuation | 161,037 | 111,135 |
| Other employment benefits | 155,056 | 102,936 |
| Share-based payments | 77,026 | 2,270,073 |
| | 3,500,657 | 4,388,716 |

Short-term employee benefits include salaries, bonuses and other short-term remuneration payments. Post-employment benefits include superannuation payments made by Genex. Share-based payments refers to employee options paid to key personnel.

Note 27. Auditors' remuneration

During the year the following fees were paid for services provided by Ernst & Young, the auditor of Genex Power Limited.

| AUDITORS OF THE GROUP – ERNST & YOUNG (AUSTRALIA) | 30 JUNE 2021 | 30 JUNE 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Fees to the auditor for | | |
| Audit and review of statutory financial statements of the Group | 193,642 | 194,318 |
| Other assurance services where there is discretion as to whether the service is provided by the auditor or another firm | | |
| Review of subsidiary statements for debt compliance | 10,816 | - |
| Other services: | | |
| - Tax compliance services | 43,450 | 40,000 |
| - Model Review Services for debt refinancing | - | 72,100 |
| - Transactional Tax Services | 156,321 | 127,900 |
| Total auditor's remuneration | 404,229 | 434,318 |

Note 28. Commitments and contingencies

Capital commitments

At 30 June 2021, the consolidated entity has committed capital of \$627,310,230. \$3,686,780 is related to Jemalong Solar Project and \$623,623,450 for K2 Hydro.

Note 29. Lease Liability

| | |
|---|-----------|
| Opening balances 1 July 2019 on AASB16 adoption | 3,107,409 |
| Interest | 128,487 |
| Repayment | (246,614) |
| Lease modification | 172,282 |
| Carrying value at 30 June 2020 | 3,161,564 |
| | |
| Current lease liability | 207,640 |
| Non-current lease liability | 2,953,924 |
| At 30 June 2020 | 3,161,564 |
| | |
| Opening balances 1 July 2020 | 3,161,564 |
| Interest | 179,819 |

| | |
|--------------------------------|-----------|
| Repayment | (361,254) |
| New leases | 1,138,022 |
| Carrying value at 30 June 2021 | 4,118,151 |
| Current lease liability | 504,127 |
| Non-current lease liability | 3,614,025 |
| At 30 June 2021 | 4,118,152 |

Note 30. Related party transactions

Controlled entities

A list of controlled entities is provided in Note 32 to these financial statements.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the parent entity and its controlled entities, directly or indirectly, including and director (whether executive or otherwise) of the entity, is considered key management personnel. Disclosures relating to key management personnel remuneration are set out in the Remuneration Report and Note 26 to these financial statements.

On 7 May 2018, the Company entered into a Services Consultancy Contract with Michael Addison on an arm's length basis to provide consulting services as a strategic adviser consulting on project delivery and the Company's project pipeline in addition to his role as a Non-Executive Director. The Contract provides for an hourly rate of \$250 plus GST and a monthly cap of \$20,900 plus GST. There is no fixed term and either party may terminate the Contract on 4 months' notice or payment in lieu.

Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless the terms and conditions disclosed below state otherwise. There are no related party transactions other than the issue of share options to the directors and key management personnel as outlined in Notes 25 and 26 above.

Note 31. Information relating to Genex Power Limited (the Parent)

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Loss after income tax | 50,045,620 | 20,676,544 |
| Total comprehensive loss | 50,045,620 | 20,676,544 |

Statement of financial position

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---------------------------|--------------------|-------------------|
| | \$ | \$ |
| Total current assets | 12,343,220 | 286,098 |
| Total assets | 178,779,745 | 92,564,488 |
| Total current liabilities | 41,495,733 | 38,860,993 |
| Total liabilities | 44,486,041 | 50,160,998 |
| Equity | | |
| Issued capital | 204,806,594 | 62,542,338 |
| Option reserves | 4,290,236 | 4,448,542 |
| Accumulated losses | (74,803,126) | (24,587,389) |
| Total equity | 134,293,704 | 42,403,491 |

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

PARENT

| Name | Principal place of business / Country of incorporation |
|---------------------|---|
| Genex Power Limited | Australia |

SUBSIDIARIES

| Name | Principal place of business / Country of incorporation | 30 June 2021 % | 30 June 2020 % |
|---|---|-------------------|----------------------|
| Genex (Kidston) Pty Limited | Australia | 100.00% | 100.00% |
| Kidston Gold Mines Limited | Australia | 100.00% | 100.00% |
| Genex (Solar) Pty Limited* | Australia | 99.99% | 99.99% |
| Genex Solar Holding Co Pty Limited* | Australia | 99.99% | 99.99% |
| Kidston Solar Holding Co Pty Limited* | Australia | 99.99% | 99.99% |
| Kidston Solar Co Pty Limited* | Australia | 99.99% | 99.99% |
| Kidston Solar Finance Co Pty Limited* | Australia | 99.99% | 99.99% |
| Jemalong PV Holdings Pty Limited | Australia | 100.00% | 100.00% |
| Jemalong PV Asset Pty Ltd | Australia | 100.00% | 100.00% |
| Jemalong Networks Pty Limited | Australia | 100.00% | 100.00% |
| Genex (Kidston Hydro) Pty Limited | Australia | 100.00% | 100.00% |
| Kidston Hydro Hold Co Pty Limited | Australia | 100.00% | 100.00% |
| Kidston Hydro Project Co Pty Ltd | Australia | 100.00% | 100.00% |
| Genex (Storage) Pty Ltd | Australia | 100.00% | 100.00% |
| Como Energy (Yabulu) Pty Ltd | Australia | 100.00% | 100.00% |
| Como Energy (Bouldercombe) Pty Ltd | Australia | 100.00% | 100.00% |
| Bouldercombe Battery Project Co Pty Ltd** | Australia | 100.00% | |
| Genex (Kidston Wind) Pty Ltd** | Australia | 100.00% | |

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

**These are new entities incorporated in FY21

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

| | | |
|--|--------------|--------------|
| LOSS BEFORE TAX | (18,725,873) | (10,534,250) |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation and impairment of property, plant and equipment | 22,761,608 | 8,006,499 |
| Share-based payment expense | 79,606 | 2,270,073 |
| Convertible Note forgiveness and government grants | (8,315,608) | - |
| Movements in provisions, pensions | 421,329 | 183,574 |
| Net (gain)/loss on financial instruments at fair value through profit or loss | 253,095 | (1,177,822) |
| Finance income | (53,702) | (135,228) |
| Finance costs | 5,710,628 | 4,428,506 |
| Working capital adjustments: | | |
| Decrease/(Increase) in trade and other receivables inventories and prepayments | (9,442,947) | (1,525,844) |
| Increase/(Decrease) in trade and other payables | 8,032,039 | (2,267,182) |
| | 720,175 | (751,674) |
| Interest received | 53,702 | 135,228 |
| Interest paid | (5,606,567) | (3,487,158) |
| Cash flows from operating activities | (4,832,690) | (4,103,604) |

Note 34. Changes in liabilities arising from financing activities

| | 1 JULY 2020 | NON-CASH LOAN EXTINGUISHMENT | PROCEEDS FROM BORROWING | REPAYMENT ON BORROWING | ESTABLISHMENT FEE/CAPITALISED INTEREST | RECLASSIFICATION OF LOAN | NON-CASH ADJUSTMENT DUE TO EFFECTIVE INTEREST RATE | 30 JUNE 2021 |
|-----------------------|--------------------|---------------------------------|-------------------------------|------------------------------|--|-----------------------------|--|--------------------|
| Current | | | | | | | | |
| CEFC Corporate Loan | - | - | - | - | - | 1,047,571 | - | 1,047,571 |
| 175m Senior Bank Loan | 5,056,400 | - | - | (4,539,446) | - | 6,687,985 | (516,954) | 6,687,986 |
| Non-current | | | | | | | | |
| CEFC Corporate Loan | 17,134,521 | - | 3,000,000 | - | 1,261,080 | (1,047,571) | 60,892 | 20,408,922 |
| 175m Senior Bank Loan | 160,105,867 | - | 6,969,169 | - | - | (6,687,985) | 1,218,345 | 161,605,396 |
| | 182,296,788 | | 9,969,169 | (4,539,446) | 1,261,080 | - | 762,281 | 189,749,875 |

| | 1 JULY 2019 | NON-CASH LOAN EXTINGUISHMENT | PROCEEDS FROM BORROWING | REPAYMENT ON BORROWING | ESTABLISHMENT FEE | RECLASSIFICATION OF LOAN | NON-CASH ADJUSTMENT DUE TO EFFECTIVE INTEREST RATE | 30 JUNE 2020 |
|-----------------------|----------------|---------------------------------|-------------------------------|------------------------------|----------------------|-----------------------------|--|--------------|
| Current | | | | | | | | |
| 100m Senior Bank Loan | 4,570,770 | | (1,905,503) | (2,665,267) | | | | - |
| 175m Senior Bank Loan | | | 3,852,362 | (453,118) | | 1,140,202 | 516,954 | 5,056,400 |
| Non-current | | | | | | | | |

| | | | | | | | | |
|-----------------------|-------------------|--------------|-------------------|--------------------|--------------------|-------------|----------------|--------------------|
| CEFC Corporate Loan | | | 16,883,246 | | (399,849) | | 651,124 | 17,134,521 |
| 100m Senior Bank Loan | 94,353,392 | (94,353,392) | | | | | | - |
| 175m Senior Bank Loan | | 94,353,392 | 69,825,078 | | (2,625,000) | (1,140,202) | (307,401) | 160,105,867 |
| | 98,924,162 | - | 88,655,183 | (3,118,385) | (3,024,849) | - | 860,677 | 182,296,788 |

Note 35. Events after the reporting year

There have been no other material events or circumstances which have arisen since 30 June 2021 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Loss per share

| | 30 JUNE 2021 | 30 JUNE 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| Net loss for the year | \$18,725,873 | \$10,534,250 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 607,913,586 | 400,214,697 |
| Adjustments for calculation of diluted earnings per share: | - | - |
| Options over ordinary shares | | |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 607,913,586 | 400,214,697 |
| | Cents | Cents |
| Basic loss per share | (3.08) | (2.63) |
| Diluted loss per share | (3.08) | (2.63) |

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

37,250,000 share options have not been taken into account in the diluted loss per share calculation since they are anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

7. DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
 - (a) the financial statements and notes of Genex Power Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the managing director and the finance director in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the board



Ben Guo

Director

27 August 2021

Sydney

Independent auditor's report to the members of Genex Power Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Genex Power Limited ("the Company") and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit & loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment of Property, Plant and Equipment

| Why significant | How our audit addressed the key audit matter |
|---|---|
| <p>In accordance with the requirements of Australian Accounting Standards, the Group is required to assess at the end of the reporting period whether there is any indication that an asset may be impaired.</p> <p>At 30 June 2021, the Group has identified indicators of impairment for the Jemalong Solar Project and determined the recoverable amount of this asset.</p> <p>As disclosed in Note 14 to the financial statements, the Group recognised a \$16.5 million impairment charge for the Jemalong Solar Project.</p> <p>Indicators of impairment of other assets have not been identified by the Group.</p> <p>Forecasting cashflows for the purpose of determining the recoverable amount of the Jemalong Solar Project involves critical accounting estimates and judgements, specifically key forecast assumptions such as forecast electricity and energy certificate prices, marginal loss factors, generation and discount rates. These estimates and assumptions are summarised in Note 2.</p> <p>As a result, we considered the impairment assessment of the Group's Property, Plant and Equipment and the impairment test for the Jemalong Solar Project and the related disclosures in the financial report to be a key audit matter.</p> | <p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> ▶ Assessed whether the methodology used by the Group to identify indicators of impairment met the requirements of Australian Accounting Standards. ▶ For the Jemalong Solar Project, assessed whether the valuation methodology applied by the Group met the requirements of Australian Accounting Standards. ▶ Tested the mathematical accuracy of the impairment testing model. ▶ Assessment of the cash flow forecasts with reference to forecast electricity and energy certificate prices, forecast generation profiles, marginal loss factors, operational and capital expenditure requirements and discussions with management and the Board of Directors. ▶ Involved our valuation specialists to: <ul style="list-style-type: none"> ○ Assess the significant cashflow forecast assumptions such as electricity and energy certificate prices with reference to external observable market data and independent economic analysis ○ Assess the discount rates with reference to publicly available information on comparable companies in the industry and markets in which the Group operates ○ Perform sensitivity analyses and evaluate the effect on the Jemalong Solar Project's recoverable amount of reasonably possible changes in key forecast assumptions. ▶ Evaluated the adequacy of the related disclosures in the financial report. |

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 31 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Genex Power Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, likely belonging to Lynn Morrison.

Lynn Morrison
Partner
Sydney
27 August 2021

9. CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (CGS) is provided by the Directors of Genex Power Limited A.C.N. 152 098 854 (**GNX** or the **Company**) pursuant to ASX Listing Rule 4.10.3 and reports against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' 4th Edition (the Recommendations) including the 8 principles and 35 specific recommendations included therein. This is the second time the Company has reported against the 4th Edition of the Recommendations. This CGS was approved by a resolution of the Board of the Company dated 25 August 2021 and is effective as at the same date and is in addition to and supplements the Company's Appendix 4G which is lodged with the ASX together with this Annual Report to Shareholders.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

**A LISTED ENTITY SHOULD CLEARLY DELINEATE THE
RESPECTIVE ROLES AND RESPONSIBILITIES OF ITS
BOARD AND MANAGEMENT AND REGULARLY
REVIEW THEIR PERFORMANCE.**

Recommendations

- 1.1** A listed entity should have and disclose a board charter setting out:
- (a) the respective roles and responsibilities of its board and management; and
 - (b) those matters expressly reserved to the board and those delegated to management.
- (a) The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities and functions of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director (**MD**) or equivalent which is currently the Chief Executive Officer (**CEO**), Mr James Harding. The Board Charter also specifically outlines the role of the Board, the Company's Chair, Individual Directors and the MD/CEO. Each function and its responsibility are outlined in the Board Charter and in various sections of this Corporate Governance Statement, both of which are available on the Company's website.
- The role and responsibility of the Board, the Company's Chair, Individual Directors and the MD/CEO is outlined in the following paragraphs of the Company's Board Charter:
- The Board – Paragraph 3.1;
 - The Chair – Paragraph 8.1;
 - The Individual Directors – Paragraph 8.2; and
 - The MD/CEO – Paragraph 8.3.
- (b) The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, purpose, values, policies, practices, goals for management and the

operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include those matters particularised in paragraph 3.1 of the Company's Board Charter.

The MD/CEO is separately responsible for the ongoing management of the Company in accordance with the strategy, purpose, values, policies and programs approved by the Board as outlined in paragraph 8.3.

1.2 A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and
- (b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

(a) Prior to the nomination of prospective non-executive directors for election or re-election, the Board must obtain from the prospective candidate:

- details of other commitments of the prospective candidate (including the potential for any actual or perceived conflicts of interest at the time of the candidate's appointment or in the foreseeable future) and an indication of the time involved; and
- an acknowledgement that the prospective candidate will have sufficient time to meet the requirements of non-executive directors of the Company.

All of the Company's current directors have undergone bankruptcy and police checks and appropriate checks will also be undertaken prior to the appointment of any new directors to the Board or any new candidates for election.

(b) When a candidate is placed before shareholders for election or re-election as a director, the names of candidates submitted is accompanied by the following information to enable shareholders to make an informed decision in relation to that vote:

- biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate;

- details of relationships between the candidate and the Company, and the candidate and directors of the company;
- whether the Board considers the person to be independent;
- other directorships held;
- particulars of other positions which involve significant time commitments;
- the term of office currently served by any director subject to re-election;
- for new candidates, confirmation that the Company has conducted appropriate checks into the candidate's background and experience and whether those checks have revealed any information of concern that might affect the person's ability to perform the role or a shareholder's decision on how to vote on a resolution for the appointment of that candidate;
- a statement as to whether the Board supports the election or re-election of the candidate and the reasons why; and
- any other particulars required by law.

1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has an Executive Services Agreement in place with each of its executive directors, its Chief Operations Officer, CEO and a Letter of Appointment with each of its non-executive directors other than Mr Yongqing Yu and Mr Kenichi Seshimo who are shareholder representatives and do not receive any remuneration from Genex. Notwithstanding this, both directors received the same Board induction pack as is received by any new director which contains, amongst other things, all of the Company's policies and procedures as well as an introductory session with the Company Secretary on the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations*'. All remunerated directors provide their services as directors to the entity in an individual capacity and may also provide any additional exertion type services through a service entity.

1.4 The company secretary of a listed entity should be accountable directly to the board, through

The Secretary is accountable to the Board through the Chair on all governance matters and also on all

the chair, on all matters to do with the proper functioning of the board.

matters to do with the proper functioning of the Board. The Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board. The Secretary holds primary responsibility for ensuring that the Board processes, procedures and policies run efficiently and effectively, and the Secretary's role of responsibilities is outlined in paragraph 8.4 of the Board Charter.

1.5 A listed entity should:

- (a) have and disclose a diversity policy;
- (b) Through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:
 - (1) the measurable objectives set for that period to achieve gender diversity;
 - (2) the entity's progress towards achieving those objectives; and
 - (3) either:
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
 - (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

(a) The Company has established a Diversity Policy as part of its Corporate Governance Plan. The Policy details the Board's commitment to providing an inclusive workplace and recognises the value that a workforce made up of individuals with diverse skills, values, backgrounds and experiences can bring to the Company. The Company has a commitment to gender diversity and female participation is sought in all areas of the Company's business. Decisions relating to promotion, leadership development and flexible work arrangements are based on merit and reinforce the importance of equality in the workplace. Ongoing monitoring of company policies and culture is undertaken to make sure they do not hold any group back in their professional development.

(b) While the Company has not yet set measurable objectives for achieving gender diversity with respect to the composition of its board, senior executives or workforce generally, the Company aims to achieve gender diversity in all areas of its business noting that the most recent appointment to the board and the most recent senior executive appointment were both women.

(c)(1) As stated in (b) above, the Company has not yet set measurable objectives in terms of a specific quota or ratio but adopts an approach of aiming to achieve gender diversity in every new appointment to the board, at senior executive level or in the workforce generally.

(c) (2) The Company is making progress towards gender diversity with recent female board and senior executive appointments. The Company will

continue to strive for gender diversity and will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so. The Board regularly reviews its policy and practical approach in achieving gender diversity to determine its adequacy for current circumstances and make appropriate recommendations where required. The Company's Corporate Governance Statement each year contains an update on the Company's compliance with the ASX's recommendations and the Company's Diversity Policy.

The Company recently updated its Diversity Policy to ensure that it not only reflects the Company's approach to gender diversity but also to state that in employing new people it recognises that people differ not just on the basis of gender, race or ethnicity, but also other dimensions such as lifestyle, cultural or socio-economic background, education, physical ability, age, marital or and family status, perspective and experience.

The policy now also reflects the Company's expanded approach to ensure a culture that supports diversity. The Company supports flexible work practices (including part time positions) to best accommodate business, family or personal choices where practicable and aims to provide opportunities for employees on extended parental leave to maintain their connection with the entity, for example, by offering them the option (without any obligation) to receive all-staff communications and to attend work functions and training programs.

In order to have an inclusive workplace, discrimination, harassment, vilification and victimisation cannot and will not be tolerated.

(c)(3)(A) The Company currently has 16 employees and 7 consultants with 7 of these in total, women. The Company has 4 women in Senior Executive positions with the definition of a "senior executive" according to generally well known market practice and definitions. The Company has 1 female director. This will continue to be reviewed in accordance with each review of

the Board's skills and requirements in accordance with the Company's Diversity Policy.

(c)(3)(B) The entity is not a "relevant employer".

1.6 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

(a) The Chair is responsible for overseeing the:

- evaluation and review of the performance of the Board and its committees (other than the Chair); and
- evaluation and review of the performance of individual directors (other than the Chair);

The Chair should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board (other than the Chair) is responsible for the:

- evaluation and review of the performance of the Chair; and
- review of the effectiveness and programme of Board meetings.

The process for the performance evaluation of the Board, its Committees and Directors generally involves an internal review. From time to time as the Company's needs and circumstances require, the Board may commission an external review of the Board, and its composition.

(b) A review of the Board has commenced following the Company reaching financial close of its Kidston Pumped Storage Hydro Project in May 2021 as noted in last year's corporate governance statement which stated: *"...It is the Board's current intention that the next formal review of the Board will be undertaken following the appointment of the nominated director from J-Power ... and following financial close of the Company's Kidston Pumped Storage Hydro Project..."* That process is ongoing, and updates will be provided to the market in the event of any further changes to the Board.

1.7 A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and

(a) The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board Charter sets out the process to be followed in evaluating the performance of senior

(b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

executives. Each senior executive is required to participate in a formal review process which assesses individual performance against predetermined objectives.

(b) As noted in last year's corporate governance statement, "...an evaluation of the performance of the Chief Executive Officer, Chief Operations Officer and other senior executives will take place at the same time as a formal Board evaluation scheduled to occur in ... following financial close of the Company's Kidston Pumped Storage Hydro Project." That process remains ongoing.

**PRINCIPLE 2:
STRUCTURE THE BOARD TO BE EFFECTIVE AND
ADD VALUE**

THE BOARD OF A LISTED ENTITY SHOULD BE OF AN APPROPRIATE SIZE AND COLLECTIVELY HAVE THE SKILLS, COMMITMENT AND KNOWLEDGE OF THE ENTITY AND THE INDUSTRY IN WHICH IT OPERATES, TO ENABLE IT TO DISCHARGE ITS DUTIES EFFECTIVELY, AND TO ADD VALUE.

Recommendations

- 2.1** The board of a listed entity should:
- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**
 - (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

(a) The Board, as a whole, currently serves as the Company's Nomination Committee. Terms and conditions of employees are negotiated by the MD/CEO in consultation with the Board's two executive directors and the Chief Operations Officer for recommendation to the Board. As the Company grows in size it is planned that the Company will implement a separate Nomination Committee with its own separate Nomination Committee charter.

(b) While the Board does not currently comply with this recommendation, given the stage of the Company's operations and relatively small number of employees, the Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity of the business at this time.

The Board shall ensure that, collectively, it has the appropriate range of skills and expertise to properly fulfil its responsibilities, including:

- accounting;
- finance;
- business;

- legal, regulatory and compliance;
- the renewable energy industry;
- Managing Director / CEO level experience; and
- relevant technical expertise.

The Board shall review the range of expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operation of the Company.

2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The Board will determine the procedure for the selection and appointment of new Directors and the re-election of incumbents in accordance with the Company's Constitution, the ASX Listing Rules and having regard to the ability and independence of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction, purpose and values of the Company.

The Board shall ensure that, collectively, it has the appropriate range of skills and expertise to properly fulfil its responsibilities, including:

- accounting;
- finance;
- business;
- legal, regulatory and compliance
- the renewable energy industry;
- MD/CEO level experience; and
- relevant technical expertise.

The mix of skills of the current Board is set out on the Company's website.

2.3 A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an

(a) Currently only 2 of the 7 directors are considered to be independent given that Michael Addison was formerly the Managing Director until 7 May 2018, Simon Kidston is an Executive Director, Ben Guo is the Finance Director (which is an executive role) and Yongqing Yu is the representative of one of the Company's largest shareholders. The independent directors are Dr Ralph Craven, the Company's Non-Executive Chair, and Ms Teresa Dyson, both Non-Executive Directors however the Board believes that Mr

explanation of why the board is of that opinion; and
(c) the length of service of each director.

Addison is transitioning to the point where he may be considered independent in the near future. It has been more than 3 years since Mr Addison held an executive role with the Company and more than 12 months since he ceased to be a substantial holder in the Company.

(b) Not applicable. While each of the directors have received grants of options approved by shareholders in the past, these have not had any specific performance hurdles or vesting milestones attached other than an exercise price well above the share price as at the date of the grant. Additionally, while the independent directors have received payments for services rendered over and above their duties as non-executive independent directors, these are not performance based payments but payments for actual exertion services provided on an arm's length basis and not of sufficient duration for the independence of these directors to be compromised. For example, services of this nature were provided by the independent directors to assist Genex's small management team during periods of significant workload and where additional expertise was required in relation to the Company's Jemalong and Kidston Pumped Storage Hydro Projects. The services are not of an ongoing nature and ceased at the point the Company reached financial close for its Kidston Pumped Storage Hydro Project.

(c) The Directors were appointed to the Board as follows:

Dr Ralph Craven – 29 May 2015
Mr Michael Addison – 15 July 2011
Mr Simon Kidston - 1 August 2013
Mr Ben Guo – 25 October 2013
Mr Yongqing Yu – 8 February 2016
Ms Teresa Dyson – 7 May 2018
Mr Kenichi Seshimo – 18 May 2021

2.4 A majority of the board of a listed entity should be independent directors.

The Company does not currently have a majority of independent directors however the Board is of the view that notwithstanding that it does not currently comply with this recommendation it

nonetheless has the appropriate mix of skills and experience for the Company's present stage of operations. The Company does however have a majority of non-executive directors comprising 5 of the 7 directors.

2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company's current Chair is Dr Ralph Craven who is an independent director and is not engaged in any executive role within the Company either as CEO, Managing Director or equivalent.

2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

Pursuant to the Company's Board Charter the Board must implement an appropriate induction and education process for new Board appointees and Senior Executives to enable them to gain a better understanding of:

- the Company's financial, strategic, operational and risk management position;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of Senior Executives; and
- the role of Board committees.

Existing directors are required to participate in development initiatives from time to time including in relation to workplace health and safety.

**PRINCIPLE 3:
INSTIL A CULTURE OF ACTING LAWFULLY,
ETHICALLY AND RESPONSIBLY**

A LISTED ENTITY SHOULD INSTIL AND CONTINUALLY REINFORCE A CULTURE ACROSS THE ORGANISATION OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY.

Recommendations

3.1 A listed entity should articulate and disclose its values.

(a) The Company's Corporate Governance Plan includes the following policies and charters which provide a framework for decisions and actions in relation to ethical conduct in employment.

- Board Charter;
- Audit & Risk Management Committee Charter;
- Code of Conduct – Obligations to Stakeholders;
- Code of Conduct – Directors and Key Officers;
- Continuous Disclosure;

- Remuneration Committee Charter;
- Securities Trading;
- Diversity; and
- Whistle-blower

(b) A copy of each policy including the codes of conduct relating to Directors, Senior Executives and employees is available on the Company's website.

3.2 A listed entity should:

(a) have and disclose a code of conduct for its directors, senior executives and employees; and

(b) ensure that the board or a committee of the board is informed of any material breaches of that code.

(a) The Company has a "Code of Conduct for Directors and Key Officers" which includes senior executives and employees; and

(b) Any material breaches of this policy are brought directly before the Board.

3.3 A listed entity should:

(a) Have and disclose a whistle-blower policy; and

(b) Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

(a) The Company has a whistle-blower policy; and

(b) Any material breaches of this policy are brought directly before the Board.

3.4 A listed entity should:

(a) Have and disclose an anti-bribery and corruption policy; and

(b) Ensure that the board or a committee of the board is informed of any material breaches of that policy.

(a) The Company has a policy titled "Code of Conduct – the Company's obligations to Stakeholders" which operates as the Company's anti-bribery and corruption policy; and

(b) Any material breaches of this policy are brought directly before the Board.

PRINCIPLE 4:

SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

A LISTED ENTITY SHOULD HAVE APPROPRIATE PROCESSES TO VERIFY THE INTEGRITY OF ITS CORPORATE REPORTS.

Recommendations

4.1 The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(a) The Company has an Audit and Risk Management Committee which:

(1) has 3 members being Ms Teresa Dyson, Dr Ralph Craven and Mr Michael Addison. All of the committee members are non-executive directors and a majority of the committee being Ms Teresa Dyson and Dr Ralph Craven are independent.

(2) is chaired by an independent director being Ms Teresa Dyson who is not the chair of the board.

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

(3) A copy of the policy titled “*Charter of the Audit and Risk Management Committee of Genex Power Limited*” is available on the Company’s website.

(4) The relevant qualifications and experience of the Committee members is available on the Company’s website.

(5) The Committee met 4 times in the financial year with all members present at the meeting.

(b) Not applicable.

4.2 The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board ensures and has received on each occasion that it approves the Company’s statutory accounts, the appropriate declarations and assurances including a declaration from the Chief Financial Officer that the Company’s accounts have been kept in accordance with section 295A of the *Corporations Act 2001* and received such declarations in the financial year.

4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company ensures that a copy of every announcement to the market is sent to every Board member and senior executive for review and comment prior to release to the ASX which includes the Company’s Appendix 4C and associated commentary every quarter. The Board is of the view that having each announcement reviewed includes an appropriate and necessary level of oversight of all statements made to the market.

**PRINCIPLE 5:
MAKE TIMELY AND BALANCED DISCLOSURE**

A LISTED ENTITY SHOULD MAKE TIMELY AND BALANCED DISCLOSURE OF ALL MATTERS CONCERNING IT THAT A REASONABLE PERSON WOULD EXPECT TO HAVE A MATERIAL EFFECT ON THE PRICE OR VALUE OF ITS SECURITIES.

Recommendations:

5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has a continuous disclosure program/policy in place designed to ensure compliance with the ASX Listing Rules on

continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Company Secretary ensures that a copy of all market announcements is provided to the Board either immediately before or immediately after release to the ASX. This practice has been adopted by the Company since its IPO in 2015.

5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

As stated in the responses to 4.3 and 5.2, the Company ensures that a copy of every announcement to the market is sent to every Board member and senior executive for review and comment prior to release to the ASX which includes any new and substantive investor presentation. The Company Secretary also ensures that a copy of the investor presentation is provided to the Board either immediately before or immediately after release to the ASX.

**PRINCIPLE 6:
RESPECT THE RIGHTS OF SECURITY HOLDERS**

A LISTED ENTITY SHOULD PROVIDE ITS SECURITY HOLDERS WITH APPROPRIATE INFORMATION AND FACILITIES TO ALLOW THEM TO EXERCISE THEIR RIGHTS AS SECURITY HOLDERS EFFECTIVELY.

Recommendations:

6.1 A listed entity should provide information about itself and its governance to investors via its website.

The Company's Corporate Governance Plan includes a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. This is contained within the Company's policies titled "*Code of Conduct – Obligations to Stakeholders*" and "*Corporate Governance Policy – Continuous Disclosure*". The policies are available on the Company's website.

6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company's Corporate Governance Plan includes a shareholder communications strategy which is outlined in 6.1.

6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Company's Corporate Governance Plan includes a shareholder communications strategy which is outlined in 6.1. The Company also encourages shareholders to attend the Company's AGM either in person or virtually during the current COVID-19 pandemic, and to ask questions of the Board and the Auditor and/or to submit questions in writing in advance.

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| <p>6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.</p> | <p>The Company has implemented a policy of ensuring that all resolutions at an AGM or EGM are decided by a poll.</p> |
| <p>6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | <p>The Company has such a practice already in place for all shareholders.</p> |

**PRINCIPLE 7:
RECOGNISE AND MANAGE RISK**

A LISTED ENTITY SHOULD ESTABLISH A SOUND RISK MANAGEMENT FRAMEWORK AND PERIODICALLY REVIEW THE EFFECTIVENESS OF THAT FRAMEWORK

Recommendations

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| <p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>(a) The Board in conjunction with the Audit and Risk Management Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.</p> <p>(1) has 3 members being Ms Teresa Dyson, Dr Ralph Craven and Mr Michael Addison. All of the committee members are non-executive and a majority of the committee being Ms Teresa Dyson and Dr Ralph Craven are independent.</p> <p>(2) is chaired by an independent director being Ms Teresa Dyson who is not the Chair of the Board.</p> <p>(3) A copy of the policy titled "<i>Charter of the Audit and Risk Management Committee of Genex Power Limited</i>" is available on the Company's website.</p> <p>(4) The members of the committee are Ms Teresa Dyson (Chair), Dr Ralph Craven (Member) and Mr Michael Addison (member).</p> <p>(5) The Committee met 4 times during the reporting period with all members as constituted at the time in attendance.</p> <p>(b) Not applicable.</p> |
| <p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> | <p>(a) The Company has established policies for the oversight and management of material business risks. The Audit and Risk Management Charter of the Company is available on the Company's website. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Board in conjunction with the Audit and Risk Committee.</p> |

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board and Audit and Risk Management Committee are required to assess risk management and associated internal compliance and control procedures and will be responsible for ensuring the process for managing risks is integrated within business planning and management activities. Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee at the first Board meeting subsequent to each Committee meeting.

(b) A formal review of the Company's risk management framework occurs at every Audit & Risk Management Committee and Board meeting with the Committee and Board reviewing and prioritising the top risks faced by the Company as advised by the Company's risk management team in conjunction with the Audit & Risk Management Committee. A formal review and planning session analysing and assessing the Company's risk register occurred a number of times through the reporting period between the Audit & Risk Management Committee and the management executive team.

7.3 A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; **OR**
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

(a) Not applicable.

(b) The Company does not have an internal auditor with the Company having policies in place to ensure a level of segregation particularly in relation to processes and procedures around such things as payment authorisations and limits of authority. The Audit & Risk Committee regularly assesses the need for an internal auditor and will undertake such an appointment at an appropriate time in conjunction with the Company's external auditor.

7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Company is subject to a range of material economic and environmental risks as a developer and operator of a number of diverse renewable energy projects in different jurisdictions within Australia and emphasises the summary of non-exclusive risks outlined in the Company's Replacement Prospectus lodged with ASIC on 10 June 2015 and in the Company's presentations released periodically to the ASX. In relation to any

potential, but as yet unknown, environmental risk, the Company has an environmental assurance bond with the Queensland Government for \$3,804,311 and is undertaking an Environmental Evaluation Process in conjunction with the Queensland Department of Environment and Science in relation to amending the terms of its current Environmental Authority over the Kidston site in Queensland.

**PRINCIPLE 8:
REMUNERATE FAIRLY AND RESPONSIBLY**

A LISTED ENTITY SHOULD PAY DIRECTOR REMUNERATION SUFFICIENT TO ATTRACT AND RETAIN HIGH QUALITY DIRECTORS AND DESIGN ITS EXECUTIVE REMUNERATION TO ATTRACT, RETAIN AND MOTIVATE HIGH QUALITY SENIOR EXECUTIVES AND TO ALIGN THEIR INTERESTS WITH THE CREATION OF VALUE FOR SECURITY HOLDERS AND WITH THE ENTITY'S VALUES AND RISK APPETITE.

Recommendations

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| <p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>(a) The Board has established a separate Remuneration Committee which:</p> <p>(1) has 4 members being Dr Ralph Craven, Ms Teresa Dyson, Mr Michel Addison and Mr Simon Kidston. 2 members of the committee being Dr Ralph Craven and Ms Teresa Dyson are independent.</p> <p>(2) the Committee is chaired by an independent director being Dr Ralph Craven.</p> <p>(3) A copy of the Remuneration Committee Charter is available on the Company's website.</p> <p>(4) The members of the committee are Dr Ralph Craven, Ms Teresa Dyson, Mr Michael Addison and Mr Simon Kidston.</p> <p>(5) The Committee met three times in the financial year with all members being present at each meeting of the Committee they were entitled to attend.</p> <p>(b) Not applicable.</p> |
| <p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | <p>The Committee distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company's Constitution and the Corporations Act also provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general</p> |

meeting. The Board is responsible for determining the remuneration of the executive directors (without the participation of the affected director).

- 8.3** A listed entity which has an equity-based remuneration scheme should:
- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
 - (b) disclose that policy or a summary of it.
- (a) A summary of the Company's policy on prohibiting transactions in associated products which operate to limit the risk of participating in unvested entitlements under any equity based remuneration scheme is contained within the Remuneration Committee Charter.
- (b) Paragraph 6.2 (3) of the Company's Remuneration Committee Charter states:
"...The Committee must ensure that, where applicable, any payments of equity-based remuneration are made in accordance with the Company's constitution and any thresholds approved by the Company's shareholders. Committee members must be aware at all times of the limitations of equity-based remuneration. The terms of such schemes should clearly prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under these schemes. The exercise of any entitlements under these schemes should be timed to coincide with any trading windows under the Company's securities trading policy..."

PRINCIPLE 9:

Recommendations:

- 9.1** A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the process it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.
- Mr Yongqing Yu, a non-executive director based in China and the representative of one of the Company's largest shareholders, Asia Ecoenergy Development Limited, does not speak English. Mr Yu has an appointed representative who is a senior executive of that entity, who is able to interpret communications including relevant Board material with Mr Yu.

10. ADDITIONAL SECURITIES EXCHANGE INFORMATION

The following information is provided pursuant to Listing Rule 4.10 and is current as at 26 July 2021 (unless otherwise stated):

Voting Rights

Shareholder voting rights are specified in clause 10.14 of the Company's Constitution lodged with the ASX on 6 July 2015. Option holders do not have the right to vote at a general meeting of shareholders until such time as the options have been converted into ordinary shares in the Company.

| | |
|--------------------------------|-------|
| Total number of shareholders | 6,830 |
| Total number of Option holders | 10 |

THE NAMES OF SUBSTANTIAL SHAREHOLDERS AND THE NUMBER OF SHARES TO WHICH EACH SUBSTANTIAL SHAREHOLDER AND THEIR ASSOCIATES HAVE A RELEVANT INTEREST, AS DISCLOSED IN SUBSTANTIAL SHAREHOLDER NOTICES GIVEN TO THE COMPANY IS AS FOLLOWS.

TOTAL UNITS DATE OF NOTICE

SUBSTANTIAL SHAREHOLDERS

| | | |
|---|-------------|-------------|
| Mitsubishi UJF Financial Group, Inc. | 69,309,202 | 4 JUNE 2021 |
| First Sentier Investors Holdings Pty Limited and its related bodies corporate | 69,309,202 | 3 JUNE 2021 |
| Commonwealth Bank of Australia and its related bodies corporate | 68,916,309 | 2 JUNE 2021 |
| Paradice Investment Management Pty Ltd | 95,896,852 | 20 MAY 2021 |
| Electric Power Development Co, Ltd, JPGA Partners Pty Ltd and JP Generation | 106,990,005 | 19 MAY 2021 |

There are 569 shareholders with an unmarketable parcel of shares being a holding of less than 2,222 shares each for a combined total of 814,901 shares. This is based on a closing price of \$0.225 per share as at 26 July 2021 and represents 0.07617% of the shares on issue on that day.

Distribution of Shareholders

| HOLDINGS RANGES | HOLDERS | TOTAL UNITS | PERCENTAGE % |
|-----------------|---------|-------------|--------------|
| 1-1,000 | 156 | 19,650 | 0.000 |
| 1,001-5,000 | 1,714 | 5,553,895 | 0.520 |
| 5,001-10,000 | 939 | 7,460,199 | 0.700 |
| 10,001-100,000 | 3,060 | 125,598,343 | 11.740 |

| | | | |
|------------------|--------------|----------------------|---------------|
| 100,001 and over | 961 | 931,267,958 | 87.040 |
| Total | 6,830 | 1,069,900,045 | 100.00 |

| Top 20 Shareholders | Total Units | Percentage % |
|---|----------------------|---------------------|
| CITICORP NOMINEES PTY LIMITED | 127,107,834 | 11.880% |
| JPGA PARTNERS PTY LTD | 106,990,005 | 10.000% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 89,864,784 | 8.399% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 68,167,240 | 6.371% |
| NATIONAL NOMINEES LIMITED | 37,322,242 | 3.488% |
| ASIA ECOENERGY DEVELOPMENT LIMITED | 35,678,750 | 3.334% |
| CBC CO PTY LTD & FERONIELLA PTY LTD <GALIEPA PARTNERSHIP A/C> | 35,000,002 | 3.271% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 29,168,934 | 2.726% |
| DANAWA (INV) PTY LTD <DANAWA S/F A/C> | 24,650,000 | 2.304% |
| DOWNING DOMAIN INVESTMENTS PTY LTD <DOWNING FAMILY A/C> | 17,377,982 | 1.624% |
| KFT CAPITAL PTY LIMITED <GUNDIMAINA A/C> | 15,350,000 | 1.435% |
| BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C> | 14,203,569 | 1.328% |
| HORRIE PTY LTD <HORRIE SUPERANNUATION A/C> | 9,000,000 | 0.841% |
| SPLENDID STUFF PTY LTD | 7,046,599 | 0.659% |
| BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 5,284,761 | 0.494% |
| AUSTRALIAN GO FUTURES PTY LTD | 5,000,003 | 0.467% |
| BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 4,785,881 | 0.447% |
| MRS JILLIAN MARIA NOEL TAYLOR | 3,744,194 | 0.350% |
| CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 3,659,735 | 0.342% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCIENT DRP> | 3,574,732 | 0.334% |
| Top 20 Shareholders | 642,977,247 | 60.097% |
| Total Issued Capital | 1,069,900,045 | 100.00 |

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

| Holdings Ranges | Holders | Total Units | Percentage % |
|------------------|----------|------------------|---------------|
| 1-1,000 | 0 | 0 | 0.00 |
| 1,001-5,000 | 0 | 0 | 0.00 |
| 5,001-10,000 | 0 | 0 | 0.00 |
| 10,001-100,000 | 0 | 0 | 0.00 |
| 100,001 and over | 1 | 2,400,000 | 100.00 |
| Total | 1 | 2,400,000 | 100.00 |

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

| | | | |
|-----------------------|--|-----------|--------|
| JAMES WILLIAM HARDING | | 2,400,000 | 100.00 |
|-----------------------|--|-----------|--------|

DISTRIBUTION OF OPTION HOLDERS – EXERCISABLE AT \$0.34 EXPIRING 17 JANUARY 2022

| Holdings Ranges | Holders | Total Units | Percentage % |
|------------------|----------|-------------------|---------------|
| 1-1,000 | 0 | 0 | 0.00 |
| 1,001-5,000 | 0 | 0 | 0.00 |
| 5,001-10,000 | 0 | 0 | 0.00 |
| 10,001-100,000 | 0 | 0 | 0.00 |
| 100,001 and over | 5 | 15,500,000 | 100.00 |
| Total | 5 | 15,500,000 | 100.00 |

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

| | | | |
|--|--|-----------|--------|
| RIVONIA PTY LIMITED <ADDISON FAMILY A/C> | | 4,000,000 | 25.806 |
| KFT CAPITAL PTY LIMITED <GUNDIMAINA A/C> | | 4,000,000 | 25.806 |
| LIGUO CAPITAL PTY LIMITED <BENJO FAMILY A/C> | | 4,000,000 | 25.806 |

DISTRIBUTION OF OPTION HOLDERS – EXERCISABLE AT \$0.40 EXPIRING 13 FEBRUARY 2023

| Holdings Ranges | Holders | Total Units | Percentage % |
|-----------------|---------|-------------|--------------|
| 1-1,000 | 0 | 0 | 0.00 |

| | | | |
|------------------|---|-----------|--------|
| 1,001-5,000 | 0 | 0 | 0.00 |
| 5,001-10,000 | 0 | 0 | 0.00 |
| 10,001-100,000 | 0 | 0 | 0.00 |
| 100,001 and over | 3 | 4,850,000 | 100.00 |
| Total | 3 | 4,850,000 | 100.00 |

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

| | | |
|-----------------------|-----------|--------|
| JAMES WILLIAM HARDING | 2,600,000 | 53.608 |
| CRAIG ARTHUR FRANCIS | 2,000,000 | 41.237 |

DISTRIBUTION OF OPTION HOLDERS - EXERCISABLE AT \$0.34 EXPIRING 10 SEPTEMBER 2024

| Holdings Ranges | Holders | Total Units | Percentage % |
|------------------|---------|-------------|--------------|
| 1-1,000 | 0 | 0 | 0.00 |
| 1,001-5,000 | 0 | 0 | 0.00 |
| 5,001-10,000 | 0 | 0 | 0.00 |
| 10,001-100,000 | 0 | 0 | 0.00 |
| 100,001 and over | 6 | 14,500,000 | 100.00 |
| Total | 6 | 14,500,000 | 100.00 |

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

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

There are no shares or options subject to escrow.

There is no current on-market buy-back.

11. CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Justin Clyne

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 6.02, Level 6

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Sydney NSW 2000

Telephone: +61 2 9048 8850

Email: info@genexpower.com.au

WEBSITE

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ASX CODE

GNX

AUDITORS

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Telephone: +61 2 9248 4283

Website: www.ey.com/au/en/home

SHARE REGISTRY

Boardroom Pty Limited

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Sydney NSW 2000

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Facsimile: +61 2 9279 0664

Website: www.boardroomlimited.com.au