GENEX POWER LIMITED
(ACN 152 098 854)

Genex Power

Lead Manager and Underwriter

Morgans IN ALLIANCE WITH CIMB

PROSPECTUS

- **FOR THE OFFER OF 40,000,000 SHARES TOGETHER WITH AN ENTITLEMENT TO ONE LOYALTY OPTION FOR EVERY TWO SHARES ISSUED UNDER THE OFFER**
- **TO RAISE $8,000,000 AT AN ISSUE PRICE OF $0.20 PER SHARE**

AN INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE

This Prospectus is an important document and should be read in its entirety. You should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to subscribe for the Shares and Loyalty Options under this Prospectus.

IMPORTANT INFORMATION

LODGEMENT AND APPLICATION FOR LISTING

This Prospectus is dated 10 June 2015 (Prospectus Date) and a copy was lodged with the Australian Securities and Investments Commission (ASIC) on that date. This Prospectus is a replacement prospectus which replaces the prospectus dated 29 May 2015 and lodged with ASIC on that date (Original Prospectus).

The replacement Prospectus differs from the Original Prospectus.

The lodgement of a replacement Prospectus has also required certain references to the Prospectus Date to be amended to refer to the "Original Prospectus Date" and to reflect the fact an application has been lodged to ASX for admission of Genex to the Official List for quotation of its Shares on ASX.

Genex has applied to ASX for admission of the Company to the Official List and quotation of its Shares on ASX. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

OFFER

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares (Shares) together with one Loyalty Option for every two Shares issued to each Applicant in Genex Power Limited ACN 152 098 854 (Company or Genex).

Loyalty Options issued to an Applicant will either Vest or lapse on the Vesting Date. Loyalty Options held by an Applicant will Vest at the Vesting Date if and only if the Applicant holds at the Vesting Date the Shares that were issued to the Applicant under this Prospectus.

Loyalty Options that do not Vest on the Vesting Date lapse with immediate effect on the Vesting Date and are of no further force or effect.
Each Vested Loyalty Option is exercisable at $0.20 until 5.00 p.m. (Sydney time) AEST on the second anniversary of the Vesting Date or if that anniversary is not a Business Day, the following Business Day.

ALLOTMENT OF SECURITIES

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of the Original Prospectus. Neither ASIC nor the ASX and their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Shares and Loyalty Options offered under this Prospectus.

NOTICE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to subscribe for Shares and Loyalty Options under this Prospectus. Some of the key risk factors that should be considered by prospective investors are set out in Section 1 and Section 3. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus. Such factors include, but are not limited to:

- changes to the estimated capital expenditure and working capital commitments;
- the ability to raise sufficient capital to fund future development programs;
- changes in economic conditions or financial markets;
- changes in electricity prices;
- legislative, environmental and other judicial, regulatory, political and competitive developments; and
- technological or operational difficulties or an inability to obtain permits required in connection with maintaining or advancing projects.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Section 3 and other information in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by any forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

Applicants should carefully consider the risk factors that affect the Company specifically and the power generation industry in which it proposes to operate. Applicants should note that greenfield power generation development projects are high risk in nature. Applicants should understand that power generation development is both speculative and subject to a wide range of risks and that, even if the Company successfully demonstrates project feasibility, Applicants may lose the entire value of their investment.

SUITABILITY OF INVESTMENT AND GENERAL RISK FACTORS

This Prospectus provides information to help investors decide whether they wish to invest in the Company. Before deciding to invest in the Company, potential investors should read this Prospectus in its entirety, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. Professional advice should be sought before deciding to invest in any securities the subject of this Prospectus.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer that is not expressly contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company, the Directors or any other person in connection with the Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus except as required by law and then only to the extent so required. Investors should be aware of the risks associated with an investment in the Company. Section 3 sets out details of some of the key risk factors.

The Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

JURISDICTION

The Offer under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person who comes into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared to conform to the securities laws of Australia. No action has been taken to register or qualify the Shares or the Loyalty Options or the Offer, or otherwise to permit a public offering of the Shares or Loyalty Options, in any jurisdiction outside Australia.

This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States or otherwise outside Australia. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares and Loyalty Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

EXPOSURE PERIOD

In accordance with Chapter 6D of the Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement of the Original Prospectus with ASIC. This period has been extended by ASIC to 11 June 2015. The purpose of the exposure period is to allow this Prospectus to be examined by market participants prior to the acceptance of Applications. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Act. Any Applications received prior to the expiration of the exposure period will not be processed until after the expiry of the exposure period. No preference will be conferred on Applications received during the exposure period.

During the exposure period, this Prospectus will be made available to Australian residents, without the Application Forms, at the Company's website at www.genexpower.com.au.

ELECTRONIC FORM PROSPECTUS

This Prospectus will be issued in paper form and as an electronic prospectus, which may be viewed online at the Company's website at www.genexpower.com.au. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. Applications can only be submitted on an Application Form accompanying this Prospectus or in its paper copy form downloaded in its entirety from www.genexpower.com.au. The Act prohibits any person from passing the Application Form on to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus free of charge by contacting the Share Registry by telephone on 1300 737 760.

CURRENCY

All references to dollars in this Prospectus, unless otherwise stated, are to Australian dollars ($A or AUD).

FINANCIAL AMOUNTS

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this Prospectus is, in most cases, obtained from surveys and studies conducted by third parties and industry or general publications. Although the Company has no reason to believe that this information is unreliable, it is noted that it has not been verified by any independent sources.

PHOTOGRAPHS

Certain assets that are the subject of photographs contained in this Prospectus may not be owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of the Offer under this Prospectus. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale.

ILLUSTRATIONS

As part of the preparation of this Prospectus, the Company has commissioned and produced illustrations such as maps, schematics and diagrams associated with the Company's projects. The illustrations included in this Prospectus should only be considered as an indication of the Company's current intentions. These intentions may change at the Directors' discretion.

DEFINED TERMS AND ABBREVIATIONS

Capitalised terms and abbreviations used in this Prospectus are defined in Section 16 and Section 17. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time (AEST). Unless otherwise stated or implied, references to dates or years are calendar year references.

PRIVACY

By completing an Application Form, you are providing personal information to the Company, and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares and Loyalty Options you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed or accepted. The Company, and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

a. the Share Registry for ongoing administration of the Shareholder register;
b. the Lead Manager and Underwriter in order to assess your Application;
c. printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
d. market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and
e. legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and Loyalty Options and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone: **1300 737 760** (from within Australia)
+61 2 9290 9600 (from outside Australia)
Address: Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

QUESTIONS

If you have any questions in relation to the Offer, please call the Genex Power Limited offer information line on +61 2 9993 4441 (from 9.00 am to 5.00 pm AEST) Monday to Friday during the Offer Period.

This document is important and should be read in its entirety.

KEY DATES AND OFFER STATISTICS

INDICATIVE KEY DATES

Original Prospectus lodged with ASIC	29 May 2015
Opening Date of Offer (9.00 am)	12 June 2015
Closing Date of Offer (5.00 pm)	25 June 2015
Expected date for issue and allotment of Shares and Loyalty Options under the Offer	30 June 2015
Expected date for despatch of holding statements	2 July 2015
Expected date for quotation of the Company's Shares on the ASX	8 July 2015
Vesting Date for Loyalty Options (refer to Section 15 – Additional Information)	7.00 pm 25 February 2016
Expiry Date of Vested Loyalty Options	5.00 pm 25 February 2018

The above dates are indicative only and may change. The Company reserves the right to vary any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before the Closing Date, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares and Loyalty Options, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

OFFER STATISTICS

Issue Price per Share	**$0.20**
Offer Proceeds	$8,000,000
Total Number of Shares offered under the Offer	40,000,000
Shares to be issued to Zhefu upon conversion of the Convertible Note (refer to Section 13 – Material Contracts)	23,678,750
Shares on issue as at the date of the Original Prospectus	94,715,000
Total number of Shares on issue at completion of the Offer	158,393,750
Indicative market capitalisation of the Company after completion of the Offer at $0.20 per Share on an undiluted basis	$31,678,750
Total number of Loyalty Options offered pursuant to this Prospectus (refer to Section 15 – Additional Information)	20,000,000
Options on issue as at the date of the Original Prospectus	8,500,000
Total number of Options on issue at completion of the Offer	28,500,000
Total number of Shares and Options on issue at completion of the Offer	186,893,750
Indicative market capitalisation of the Company at completion of the Offer at $0.20 per Share on a fully diluted basis	$37,378,750

Notes:

1. As at the date of the Original Prospectus the Company had 8,500,000 Unlisted Options on issue with an exercise price of $0.25 per Unlisted Option. All 8,500,000 Unlisted Options have vested in the Unlisted Optionholder and expire on 7 February 2019.
2. The fully diluted capital structure in the above table assumes that all 20,000,000 Loyalty Options will Vest to Applicants under this Prospectus at the Vesting Date and that no Loyalty Options will lapse on the Vesting Date.
3. The indicative market capitalisation on a fully diluted basis in the table above assumes that all Options on issue at the close of the offer vest in the Optionholder, that no Loyalty Options will lapse and that all 28,500,000 Options will be exercised prior to their respective expiry dates, with cleared funds received by the Company.

HOW TO INVEST

Applications for Shares and Loyalty Options can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares and Loyalty Options are set out in Section 2.19 and on the back of the Application Form.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Dr. Ralph Craven	Non-Executive Chairman
Mr. Alan du Mée	Non-Executive Director
Mr. Michael Addison	Managing Director
Mr. Simon Kidston	Executive Director
Mr. Ben Guo	Finance Director

COMPANY SECRETARY

Mr. Justin Clyne

REGISTERED OFFICE

Level 11

2 Bligh Street

Sydney NSW 2000

Telephone: +61 2 9993 4441

Facsimile: +61 2 9993 4433

WEBSITE

www.genexpower.com.au

ASX CODE

GNX

LEAD MANAGER AND UNDERWRITER

Morgans Corporate Limited

Level 9 Aurora Place

88 Phillip Street

Sydney NSW 2000

Telephone: +61 2 8215 5055

Facsimile: +61 2 9258 5055

Website: www.morgans.com.au

LEGAL ADVISER

Kemp Strang

Level 17

175 Pitt Street

Sydney NSW 2000

Telephone: +61 2 9225 2500

Facsimile: +61 2 9225 2599

Website: www.kempstrang.com.au

INDEPENDENT CONSULTANT

Ernst & Young

111 Eagle Street

Brisbane QLD 4000

Telephone: +61 7 3011 3333

Website: www.ey.com/au

Energetics

Level 7

132 Arthur Street

North Sydney NSW 2060

Telephone: +61 2 9929 3911

Facsimile: +61 2 9929 3922

Website: www.energetics.com.au

TITLE REPORTING SOLICITOR

McCullough Robertson

Level 11 Central Plaza Two

66 Eagle Street

Brisbane QLD 4000

Telephone: +61 7 3233 8888

Facsimile: +61 7 3229 9949

Website: www.mccullough.com.au

CORPORATE DIRECTORY

INVESTIGATING ACCOUNTANT AND AUDITORS

William Buck

Level 29

66 Goulburn Street

Sydney NSW 2000

Telephone: +61 2 8263 4000

Facsimile: +61 2 8263 4111

Website: www.williambuck.com

SHARE REGISTRY

Boardroom Pty Limited

Level 12

225 George Street

Sydney NSW 2000

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Website: www.boardroomlimited.com.au

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"**Genex** is a prospective power generation development company based in Australia.

Genex is planning to develop its flagship Kidston pumped storage hydroelectric scheme (the Kidston Project) located in Northern Queensland."

LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Genex Power Limited (**Company** or **Genex**).

Genex and the Kidston Project

Genex is a prospective power generation development company based in Australia. Genex is planning to develop its flagship Kidston pumped storage hydroelectric scheme (the Kidston Project) located in Northern Queensland. The Kidston Project has the potential to generate up to 330MW of rapid response, flexible peaking power for delivery into Australia's National Electricity Market. The Kidston Project offers a potentially large scale, low cost, flexible solution to Queensland's growing peaking power requirements and is expected to be well positioned to take advantage of the combined effects of an oversupply of baseload generation capacity and escalating peak power prices being driven by increasing gas turbine fuel costs.

The Kidston Project benefits from the presence of significant existing in-situ infrastructure, licences, permits and building materials. The presence of these assets is expected to mitigate a portion of the Kidston Project capital costs that would normally be associated with the building of a large scale pumped storage hydroelectric scheme. Genex recently completed a Pre-Feasibility Analysis which showed the Kidston Project to be economically and technically viable at a pre-feasibility level.

Cornerstone Support and Strategic Allicance with Zhefu

Genex recently formed a strategic alliance with Zhefu Hydropower International Engineering Corporation Limited (Zhefu). Zhefu is one of the largest hydroelectric electrical and mechanical equipment manufacturers in China. Zhefu is investing $1,600,000 into the Offer as set out in this Prospectus and, following completion of the Offer, will hold a 20% equity interest in Genex.

The Offer

Genex is now seeking to further de-risk the Kidston Project by undertaking a Project Feasibility Study and applying for the various licences and approvals required for construction and operation of the Project. To this end, the Company is seeking to raise a total of $8,000,000 (before costs) pursuant to the Offer detailed in this Prospectus. The proceeds of the Offer will primarily be used to fund the completion of the Project Feasibility Study, procure the release of Environmental Bonds, as well as costs associated with obtaining licences and regulatory approvals required for construction and operation, site maintenance costs, listing costs, overheads and ongoing working capital. The Company is also proposing to undertake the issue of Loyalty Options on a one for two basis to investors who are issued Shares under this Prospectus. Loyalty Options that do not Vest on the Vesting Date lapse with immediate effect on the Vesting Date and are of no further force or effect.

Conclusion

The listing of Genex on the ASX will also provide the Company with greater access to the equity capital markets to allow the Company to pursue other potential generation development and acquisition opportunities that exist across Australia.

Information about Genex and the Offer is set out in this Prospectus. Before making an investment decision, you should consider the risks that affect the Company and the industry in which it operates. A detailed summary of key risks is set out in Section 1 and Section 3 of this Prospectus.

If you have any questions about how to apply for Shares and Loyalty Options, please call the Genex Power Limited offer information line on +61 2 9993 4441 (from 9.00 am to 5.00 pm AEST) Monday to Friday during the Offer Period.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours faithfully,
Dr. Ralph Craven
Chairman
GENEX POWER LIMITED

SECTION 1 – INVESTMENT OVERVIEW

1.1 INTRODUCTION

Topic	*Summary*	*Reference*
Who is the issuer of this Prospectus?	Genex Power Limited (ACN 152 098 854).	Important Information
What is the Offer?	The Offer is an initial public offering of 40,000,000 fully paid ordinary Shares (together with one Loyalty Option for every two Shares issued under the Offer) that will be issued by the Company at a price of $0.20 per Share to raise $8,000,000 (before costs).	Offer Details
How is the Offer structured?	The Offer comprises: • the Zhefu Offer ($1,600,000); • the Broker Firm Offer; and • the Institutional Offer. As set out in section 13, under the terms of the Convertible Note, upon completion of the Offer Zhefu will be issued 23,678,750 new Shares at $0.16 per share, being a 20% discount price to the Issue Price.	Offer Details
What is the purpose of the Offer and how will the Offer Proceeds be used?	The purpose of the Offer and the proposed use of funds raised from the Offer is to: • fund the Project Feasibility Study and apply for the various licences and regulatory approvals required for the construction and operation of the Kidston Project; • fund the annual maintenance costs associated with the Kidston Site; • procure the release of the Environmental Bonds; • fund the expenses of the Offer and the associated costs of listing the Company on the ASX; • provide a liquid market for Shares and an opportunity for new Shareholders to invest in the Company; • provide the Company with access to the equity capital markets; and • provide the next two years of working capital for the Company. In conjunction with the Offer, the Company is seeking admission to the Official List of ASX and quotation of its Shares.	Offer Details

What is Genex?	Genex is a prospective power generation development company based in Australia. The Company is focused on delivering returns for Shareholders. Whilst the current focus is on the development of the Kidston Project, Genex intends to pursue any attractive generation development and acquisition opportunities across Australia that may arise in the future.	Company Overview

1.2 KEY FEATURES OF GENEX'S BUSINESS MODEL AND STRATEGY

Topic	*Summary*	*Reference*
What does Genex do?	Genex is currently planning to develop its flagship Kidston Project, which involves the installation of a pumped storage power generation station at the former Kidston gold mine site located in Northern Queensland. The Company holds the sole rights over the Kidston Site and associated infrastructure. Genex is now seeking to further de-risk the proposed Kidston Project by undertaking the Project Feasibility Study to advance the Kidston Project and applying for the various licences and approvals required for its construction and operation. While undertaking the Project Feasibility Study, the Company intends to actively engage in negotiating power purchase and power sale agreements with generators and retailers. Success in these negotiations will further de-risk the project by locking in future earnings and potentially increasing the overall probability of achieving attractive project financing terms. Existing assets include leasehold crown land, existing in-ground reservoirs, a water pipeline to the Copperfield Dam and water licence rights to the Copperfield Dam.	Company Overview The Kidston Project
What is Genex's business model?	Genex's business model involves the planning, funding and construction of the Kidston pumped storage hydroelectric scheme at the site of the former Kidston gold mine and thereafter, the selling of electricity into the NEM during periods of peak electricity demand when prices are high, and the buying of electricity from the NEM during overnight off-peak periods when the electricity demand and prices are low. The revenue streams may be supplemented by additional energy trading activities.	Company Overview The Kidston Project
How does Genex propose to develop its PSH scheme and where is it located?	KGML holds a 100% interest in a mining lease over the site of the former Kidston gold mine in Northern Queensland. The site is located approximately 300km north west of Townsville and has been substantially rehabilitated following closure of the Kidston gold mine in 2001. Genex proposes to utilise the existing mine pits and onsite infrastructure at the Kidston Site to develop a pumped storage hydroelectric power generation plant.	The Kidston Project Financial Information

What is a pumped storage hydroelectric power generation plant?	Pumped storage hydroelectricity schemes are designed for energy storage and load balancing in power systems. Electricity generation in a pumped storage scheme works much like conventional hydroelectric schemes. In periods of high demand, electricity is generated when water is released from an upper reservoir through turbine generators and into a lower reservoir. Unlike conventional hydroelectric schemes, the water is not discharged from the lower reservoir but is instead pumped back to the upper reservoir during off-peak hours by drawing electricity from the grid.	The Kidston Project

1.3 OFFER STATISTICS AND KEY DATES

Topic	*Summary*	*Reference*
What is the Issue Price?	The Issue Price is $0.20 per Share.	Offer Details
What is the size of the Offer and what are the gross proceeds of the Offer?	The Company is offering for subscription 40,000,000 Shares (together with one Loyalty Option for every two Shares issued under the Offer) at a subscription price of $0.20 per Share, to raise a total of $8,000,000 before costs.	Offer Details
What will the market capitalisation of the Company be upon listing on the ASX?	Based on the Issue Price and a raising of $8,000,000 (before costs), the market capitalisation of the Company at the date of listing on the ASX will be $31,678,750 on an undiluted basis.	Offer Details

Ergon Substation on Kidston Site

What are the key dates of the Offer

Original Prospectus lodged with ASIC	29 May 2015	Key Dates and Offer Statistics
Opening Date of Offer (9.00 am)	12 June 2015	
Closing Date of Offer (5.00 pm)	25 June 2015	
Expected date for issue and allotment of Shares and Loyalty Options under the Offer	30 June 2015	
Expected date for despatch of holding statements	2 July 2015	
Expected date for quotation of the Company's Shares on the ASX	8 July 2015	
Vesting Date for Loyalty Options (refer to Section 15 – Additional Information)	7.00 pm 25 February 2016	
Expiry Date of Vested Loyalty Options	5.00 pm 25 February 2018	

The above dates are indicative only and may change. The Company reserves the right to vary any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before the Closing Date, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares and Loyalty Options, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens..

1.4 KEY INVESTMENT BENEFITS

Topic	*Summary*	*Reference*
What are the key investment benefits?	• Pumped storage hydroelectric schemes are a widespread and mature technology used worldwide to provide a reliable and efficient means for matching supply and demand in electricity networks. • Genex's proposed 330MW Kidston Project has the potential to be the third largest PSH scheme in Australia, after the 600MW Snowy Hydro Tumut 3 PSH scheme in New South Wales and the 500MW Wivenhoe Dam PSH scheme in Queensland. • The Kidston Project has the potential to deliver a large scale, low cost, flexible solution to Queensland's growing peaking power requirements. • The Kidston Project benefits from the presence of significant existing in-situ infrastructure, licences, permits and building materials. These assets are expected to mitigate a portion of the Kidston Project capital costs that would normally be associated with the building of a large scale PSH scheme. • Genex recently completed a Pre-Feasibility Analysis which showed the Kidston Project to be economically and technically viable at a pre-feasibility level. Total capital expenditure for the Kidston Project is estimated at approximately $282m. • Genex recently formed a strategic alliance with Zhefu - one of the largest hydroelectric electrical and mechanical equipment manufacturers in China. Following completion of the Offer, Zhefu will hold a 20% equity interest in Genex. • The Directors and Independent Consultants named in this Prospectus believe the outlook for peaking power prices in Queensland is positive for Genex – refer to Independent Consultants' reports in Section 9 and 10.	

1.5 KEY RISKS

Topic	*Summary*	*Reference*
Inputs and Assumptions	Genex has relied on assumptions and data prepared by third parties in relation to the Pre-Feasibility Analysis and Genex's projected capital expenditure requirements. The assumptions and data relied upon by the Company may differ from the actual results and any material variations may affect the economic and technical viability of the Kidston Project.	Business and Investment Risks
Liquidity Risk	Under the Broker Firm Offer and Institutional Offer, investment is only being sought from new investors for a minority stake of 20.2% in the Company. Upon completion of the Offer, existing Shareholders (including Zhefu) will hold 79.8% of the Shares in the Company. Of these, 36.8% of Shares will be escrowed for 6 months voluntarily as set out in Section 13 of this Prospectus and a further 37.8% of Shares that are held by founders and related parties will be compulsorily escrowed for 2 years. Having approximately 75% of Shares escrowed at completion of the Offer presents a liquidity risk for investors.	
Environmental Approvals Risk	The Company is reliant on a number of environmental approvals to enable it to develop and operate the Kidston Project. There is no guarantee that the required approvals will be granted in order to develop and operate the Kidston Project.	Business and Investment Risks
Variation of Environmental Authority	As part of the mining lease, there is currently a pre-existing Environmental Authority (EA) over the site. As part of the Kidston development, Genex intends to undertake an assessment in conjunction with the Department of Environment and Heritage Protection as to whether the existing EA adequately covers the proposed pumped storage activities for the site. If necessary, Genex will seek modifications to the EA so as to ensure all planned activities will be in compliance with the EA. There is no guarantee that the requested modifications to the EA will be granted.	Business and Investment Risks
Land Title	The Title on which the Company proposes to develop the Kidston Project is subject to annual review and periodic renewal. There are currently no registered easements securing ongoing access for Genex to operate, maintain or decommission the Copperfield Dam Pipeline. No such approvals were in existence prior to Genex acquiring the Kidston Project, during which time the Copperfield Dam Pipeline has continued to operate. Genex intends to liaise with the necessary stakeholders to obtain formal approval for such access. If the requisite approvals are not granted, it may affect Genex's ability to develop the Kidston Site.	Business and Investment Risks

Evaluation and commerciali-sation risk	The economic and technical viability of the Kidston Project is dependent on a number of key factors, including: • the ability of the Company to purchase power at low prices during off-peak power demand periods; • the ability of the Company to sell power at elevated prices during peak power demand periods; and • the ability of the Company to complete construction of the Kidston Project at a capital construction cost that delivers viable economic returns. Whilst the Company has based its preliminary evaluation of the economic and technical viability of the Kidston Project on a number of price, cost and other market related assumptions, there is no certainty that these assumptions will hold in the future. This may call into question the economic and technical viability of the Kidston Project prior to construction or may render the Kidston Project unprofitable following completion of construction.	Business and Investment Risks
Power price volatility risk	The economic and technical viability of the Kidston Project is dependent on future peak and off-peak electricity prices, the relationship between peak and off-peak electricity prices, the frequency and duration of peak pricing and off-peak pricing events and the overall volatility of the NEM in Queensland. There is no certainty that historical pricing patterns experienced over the past will be repeated in the future.	Business and Investment Risks
Competition risk	The Queensland electricity market is competitive. The actions of an existing competitor or the entry of new competitors into the Queensland electricity market may make it difficult for the Company to establish the Kidston Project. If the Company is successful in developing the Kidston Project, the actions of an existing competitor, or the entry of a new competitor, may make it difficult for the Company to grow or maintain its revenues, which in turn, may have a material adverse effect on the Company's profitability. These actions could include, for example, the development of a new power generator to supply electricity to the Queensland market or a competitor developing an alternate pumped storage hydroelectric project.	Business and Investment Risks
Renewable energy competition risk	Australia is currently experiencing growth in the construction of renewable energy generation plants, including wind and solar power generation facilities. In particular, the uptake of rooftop solar PV installations in Queensland has seen significant growth over the past few years. Further growth in Queensland's renewable energy generation capacity, including rooftop solar PV generation, poses a potential competitive threat to the economic viability of the Kidston Project.	Business and Investment Risks

Technology risk	Pumped storage hydropower is a mature technology used for the storage and management of energy. In the future, other technologies could be developed as a way to manage and store energy. Any future advances in other technologies could adversely impact Genex.	Business and Investment Risks
Geological risk	A portion of the proposed civil works will be underground and therefore subject to faulting, rock stability and other geotechnical issues which may impact construction costs and safe operation of the plant. Any geological issue which impacts the construction or operations of the Kidston Project could adversely impact Genex.	Business and Investment Risks
Key personnel risk	The Directors' ability to successfully manage the Company's performance and to expand and exploit the opportunities identified in this Prospectus will directly affect the success of the Company. The Company may be adversely affected if any of the Directors leaves the Company. The Company may not be able to replace its Directors or key employees with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel. Loss of key personnel may also have an adverse effect on the performance of the Company pending replacements being identified and retained by or appointed to the Board of the Company.	Business and Investment Risks
Future financing	Future financing will be required by the Company to support its proposed construction and development plans. There can be no assurance that such funding will be available on satisfactory terms or at all. Inability to obtain funding will adversely affect the Company and may result in the Kidston Project not proceeding or defaults in licences or permits which, if not remedied, could result in forfeiture. Any future financing is likely to include equity financing. Given the amount of future financing required to fund the Kidston Project, any significant equity financing will have a dilutive effect on Shareholders at the time.	Business and Investment Risks
Contractual risks	As a party to contracts, the Company will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.	Business and Investment Risks

Risk of Shareholder dilution	In the future, the Company may elect to issue Shares in connection with fundraisings, including to raise proceeds, to fund business operations or acquisitions the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings. Based on the Pre-Feasibility Analysis, total capital expenditure for the Kidston Project is estimated at approximately $282 million, which will require additional financing. Any significant equity financing will have a dilutive effect on Shareholders at the time.

Ergon Substation on Kidston Site

1.6 DIRECTORS AND KEY MANAGEMENT

Topic	*Summary*	*Reference*
Who are the key people in Genex and what relevant experience do they have?	Dr Ralph Craven is the Non Executive Independent Chairman of Genex. Dr Craven was the former Chief Executive Officer and Chairman of Ergon Energy and former Chief Executive Officer of Transpower New Zealand. Alan Du Mée is a Non Executive Independent Director of Genex. He is the former Chief Executive Officer of Tarong Energy and the former Chairman of the Australian National Generators Forum. Michael Addison is the Managing Director of Genex. He is an engineer with experience in company management and project development. Simon Kidston is an Executive Director of Genex. He has experience in corporate and project finance. Ben Guo is the Finance Director of Genex. He has experience in financial management.	Directors and Management

1.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND SHAREHOLDING STRUCTURE

Topic	*Summary*	*Reference*
Do the key Genex employees have any interest in the business?	Michael Addison and Simon Kidston are substantial shareholders in the Company as at the date of the Original Prospectus and will continue to be substantial shareholders following the completion of the Offer.	Offer Details

Eldridge Pit

What is shareholding structure of the Company?

Undiluted Capital Structure	**Shares**	**%**
Shares on issue at the date of the Original Prospectus	94,715,000	80.0%
Shares to be issued to Zhefu upon conversion of Convertible Note	23,678,750	20.0%
Total Shares on issue upon conversion of the Convertible Note	118,393,750	100.0%
Shares to be issued under this Prospectus	40,000,000	
Total Shares on Issue on completion of the Offer (undiluted)	158,393,750	
Shareholding structure on completion of the Offer		
Existing shareholders as at the date of the Original Prospectus	94,715,000	59.8%
Zhefu ownership post completion of the Offer	31,678,750	20.0%
Other investors under this Prospectus	32,000,000	20.2%
Total Shares on Issue on completion of the Offer (undiluted)	158,393,750	100.0%
Fully Diluted Capital Structure		
Shares on issue at the date of the Original Prospectus	94,715,000	50.7%
Shares to be issued to Zhefu upon conversion of the Convertible Note	23,678,750	12.7%
Shares to be issued pursuant to this Prospectus	40,000,000	21.4%
Unlisted Options issued as at the date of the Original Prospectus	8,500,000	4.5%
Loyalty Options to be Issued pursuant to this Prospectus	20,000,000	10.7%
Total Shares on Issue on completion of the Offer (fully diluted)	186,893,750	100.0%

What escrow provisions are in place?

Approximately 75% of Shares on issue following completion of the Offer and the ASX Listing of the Company will be subject to some form of restriction arrangement under the ASX Listing Rules or voluntary escrow arrangements as agreed between the Company and existing shareholders.

The only Shares that are not subject to any escrow are Shares that will be issued pursuant to this Prospectus.

1.8 AGREEMENTS WITH ZHEFU

Topic	*Summary*	*Reference*
Who is Zhefu?	Zhefu is one of the largest hydroelectric electrical and mechanical equipment manufacturers in China. The Company is listed on the Shenzhen stock exchange and, at 30 April 2015, had a market capitalisation of approximately US$3.6 billion.	Company Overview
What is Zhefu's shareholding in Genex?	Following completion of the Offer, Zhefu will hold a 20% interest in Genex.	Offer Details

What other arrangements does Zhefu have with Genex?	Genex has formed a strategic alliance with Zhefu pursuant to which Zhefu has the ability to participate in the tender process for the supply of mechanical and electrical equipment for the Kidston Project. Zhefu also has the right under certain circumstances to appoint a Director to the Genex Board. A summary of the terms of the Convertible Note Agreement with Zhefu is set out in Section 13 of this Prospectus.	Material Contracts

1.9 KEY TERMS AND CONDITIONS OF THE OFFER

Topic	*Summary*	*Reference*
How do I apply for Shares and Loyalty Options?	By completing and submitting a valid Application Form, a blank copy of which accompanies and forms part of this Prospectus (including, for Australian residents only, the electronic version of this Prospectus), in accordance with the instructions set out on the Application Form.	Application Form
Is the Offer Underwritten?	Morgans is Lead Manager and Underwriter to the Offer. The Offer is fully underwritten.	Offer Details
Is there a minimum and maximum subscription?	Applications must be for a minimum of 10,000 Shares (i.e. $2,000) and thereafter in multiples of 2,500 Shares (i.e. $500). Applications for less than the minimum accepted application of 10,000 Shares will not be accepted.	Offer Details
What is the allocation policy?	The Lead Manager and Underwriter and Directors reserve the right, in their absolute discretion, to allot the Shares and attaching Loyalty Options applied for under any Application in full or to allot any lesser number or to decline any Application. The Directors may in their absolute discretion give preference to certain Applicants in accepting Applications under the Offer.	Offer Details
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on subscription for Shares and Loyalty Options under the Offer.	Offer Details

What are the costs of the Offer?	The cash costs of the Offer are estimated at approximately $820,000 (exclusive of GST). These costs will be paid by the Company out of the Offer Proceeds and existing cash reserves.	Offer Details
What are the tax implications of making an investment in the Company?	The taxation implications of investing in the Company will depend on a Shareholder's individual circumstances. Applicants should obtain their own tax advice prior to making an investment in the Company.	Offer Details

1.10 DIVIDENDS

Topic	*Summary*	*Reference*
When will I receive dividends?	The Directors intend to use the Company's current cash reserves and any surplus cash flow to fund the Kidston Project, rather than distributing these funds as dividends. The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by the Company.	Additional Information

1.11 FURTHER INFORMATION AND WITHDRAWAL OF OFFER

Topic	*Summary*	*Reference*
How can further information be obtained?	Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Share Registry on 1300 737 760.	Offer Details
Contact details	For further contact details refer to the Corporate Directory of this Prospectus.	Corporate Directory
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares and Loyalty Options to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the Offer being withdrawn.	Offer Details

Copperfield Dam

SECTION 2 - OFFER DETAILS

This Section provides an overview of the Offer and should be read in conjunction with the remainder of this Prospectus.

2.1 THE OFFER

This Prospectus relates to an initial public offering of 40,000,000 Shares (together with one Loyalty Option for every two Shares issued under the Prospectus) by the Company at an Issue Price of $0.20 per Share to raise a total of $8,000,000 (before costs). All Shares issued pursuant to this Prospectus will be fully paid and will rank equally in all respects with the Shares currently on issue.

Applications can only be made by completing the Application Form accompanying this Prospectus.

Applications must be for a minimum of 10,000 Shares (i.e. $2,000) and thereafter in multiples of 2,500 Shares (i.e. $500). Applications for less than the minimum accepted application of 10,000 Shares will not be accepted.

2.2 KEY TERMS

The key terms of the Offer are set out as follows:

Table 2.1: Offer Terms

Issue Price per Share	**$0.20**
Offer Proceeds	$8,000,000
Total Number of Shares offered under the Offer	40,000,000
Shares to be issued to Zhefu upon conversion of the Convertible Note (refer to Section 13 – Material Contracts)	23,678,750
Shares on issue as at the date of the Original Prospectus	94,715,000
Total number of Shares on issue at completion of the Offer	158,393,750
Indicative market capitalisation of the Company after completion of the Offer at $0.20 per Share on an undiluted basis	$31,678,750
Total number of Loyalty Options offered pursuant to this Prospectus (refer to Section 15 – Additional Information)	20,000,000
Options on issue as at the date of the Original Prospectus	8,500,000
Total number of Options on issue at completion of the Offer	28,500,000
Total number of Shares and Options on issue at completion of the Offer	186,893,750
Indicative market capitalisation of the Company at completion of the Offer at $0.20 per Share on a fully diluted basis	$37,378,750

Notes:

1. As at the date of the Original Prospectus the Company had 8,500,000 Options on issue with an exercise price of $0.25 per Option. All 8,500,000 Options have vested in the Optionholders and expire on 7 February 2019.
2. The fully diluted capital structure in the above table assumes that all 20,000,000 Loyalty Options will Vest to Applicants under this Prospectus at the Vesting Date and that no Loyalty Options will lapse on the Vesting Date.
3. The indicative market capitalisation on a fully diluted basis in the table above assumes that all Loyalty Options and Options on issue at the close of the Offer vest in the Optionholder on the Vesting Date, that no Loyalty Options will lapse and that all 28,500,000 Options will be exercised prior to their respective expiry dates, with cleared funds received by the Company.

2.3 PURPOSE OF THE OFFER AND USE OF FUNDS

The primary purpose of the Offer and the proposed use of funds raised from the Offer is to:

- fund the Project Feasibility Study and apply for the various licences and regulatory approvals required for the construction and operation of the Kidston Project;
- fund the annual maintenance costs associated with the Kidston Site;
- procure the release of the Environmental Bonds;
- fund the expenses of the Offer and the associated costs of listing the Company on the ASX;
- provide a liquid market for Shares and an opportunity for new Shareholders to invest in the Company;
- provide the Company with access to the equity capital markets; and
- provide the next two years of working capital for the Company.

The Directors are satisfied that upon completion of the Offer, the Company will have sufficient working capital to carry out its objectives, and in particular, will have sufficient cash reserves to fund the next two years of its working capital and the Project Feasibility Study.

Table 2.2 provides as at the date of this Prospectus, a summary of the Company's proposed use of funds from the Offer combined with existing cash reserves for the two year period ending 30 June 2017.

Table 2.2: Summary of use of funds from the Offer combined with existing cash reserves – 2 years ending 30 June 2017

Source and Use of Funds	**$'000**
Funds to be raised under the Offer	8,000
Forecast pro-forma cash balance at Opening Date of the Offer	3,900
Total Funds Available	**11,900**
Offer expenses (exclusive of GST) (cash settled)	820
Environmental Bond	3,800
Site management and maintenance costs	1,500
Project Feasibility Study costs	3,880
Administration and working capital expenses	1,900
Total Planned Expenditure	**11,900**

2.4 CAPITAL STRUCTURE

Upon completion of the Offer, the capital structure of the Company will be as follows:

Table 2.3: Summary of Capital Structure

Undiluted Capital Structure	Shares	%
Shares on issue at the date of the Original Prospectus	94,715,000	80.0%
Shares to be issued to Zhefu upon conversion of the Convertible Note	23,678,750	20.0%
Total Shares on issue upon conversion of the Convertible Note	118,393,750	100.0%
Shares to be issued under this Prospectus	40,000,000	
Total Shares on Issue (undiluted)	158,393,750	
Shareholding structure on completion of the Offer		
Existing shareholders as at the date of the Original Prospectus	94,715,000	59.8%
Zhefu ownership post completion of the Offer	31,678,750	20.0%
Other investors under this Prospectus	32,000,000	20.2%
Total Shares on Issue on completion of the Offer (undiluted)	158,393,750	100.0%
Fully Diluted Capital Structure		
Shares on issue at the date of the Original Prospectus	94,715,000	50.7%
Shares to be issued to Zhefu upon conversion of the Convertible Note	23,678,750	12.7%
Shares to be issued pursuant to this Prospectus	40,000,000	21.4%
Unlisted Options issued as at the date of the Original Prospectus	8,500,000	4.5%
Loyalty Options to be Issued pursuant to this Prospectus	20,000,000	10.7%
Total Shares on Issue on completion of the Offer (fully diluted)	**186,893,750**	**100.0%**

Notes:

1. As at the date of the Original Prospectus the Company had 8,500,000 Options on issue with an exercise price of $0.25 per Option. All 8,500,000 Options have vested in the Optionholders and expire on 7 February 2019.
2. The fully diluted capital structure in the above table assumes that all 20,000,000 Loyalty Options will Vest to Applicants under this Prospectus at the Vesting Date and that no Loyalty Options will lapse on the Vesting Date.
3. The indicative market capitalisation on a fully diluted basis in the table above assumes that all Loyalty Options and Options on issue at the close of the Offer vest in the Optionholder on the Vesting Date, that no Loyalty Options will lapse and that all 28,500,000 Options will be exercised prior to their respective expiry dates, with cleared funds received by the Company.

Ergon Substation on Kidston Site

2.5 STRUCTURE OF THE OFFER

The Offer comprises:

- The Zhefu Offer ($1,600,000);
- The Broker Firm Offer; and the
- The Institutional Offer.

2.5.1 Zhefu Offer

Zhefu has agreed to subscribe for $1,600,000 as part of the Offer. Zhefu has separately been given instructions on how to settle its obligations as part of the Zhefu Offer.

2.5.2 The Broker Firm Offer

The Broker Firm Offer is open to certain Australian resident retail and institutional investors who have received a firm allocation from the Lead Manager and Underwriter or participating brokers to the Offer. No Shares are being offered to the general public.

Applications for Shares offered under this Prospectus must be made using the Application Form attached to

and forming part of this Prospectus or in its paper form. Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

Applicants with questions on how to complete the Application Form should contact the Lead Manager and Underwriter.

If you have received a 'firm' allocation of Shares from your broker:

a. your application cheque(s) must be made payable to the broker; and
b. your completed Application Form and application cheque(s) must be delivered to the broker directly (not to the Share Registry).

Applicants who receive a firm allocation of Shares must lodge their Application Form and Application monies with the relevant broker in accordance with the relevant broker's directions in order to receive their firm allocation.

If you receive a firm allocation of Shares, your broker will act as your agent in submitting your Application.

None of the Company, the Share Registry or the Lead Manager and Underwriter take responsibility for any acts or omissions by your broker in connection with your Application, Application Form or Application monies.

The Application process will be explained to you by your broker. If you have a firm allocation of Shares and are in any doubt about what action you should take, you should immediately contact the broker who has made you the firm offer.

2.5.3 The Institutional Offer

The Lead Manager and Underwriter are inviting certain Institutional Investors to bid for Shares in the Institutional Offer.

The Institutional Offer is structured as follows:

- an invitation to Australian resident Institutional Investors to bid for Shares – made under this Prospectus; and
- an invitation to Institutional Investors in certain other overseas jurisdictions (excluding the US).

The Lead Manager will separately advise Institutional Investors of the application procedures for the Institutional Offer.

2.6 ALLOCATION POLICY BETWEEN THE BROKER FIRM OFFER AND THE INSTITUTIONAL OFFER

The final allocation of Shares between Applicants will be determined by the Lead Manager and Underwriter in consultation with the Company.

2.7 UNDERWRITING

This Offer is underwritten by Morgans. For details of the Underwriting Agreement please refer to Section 13 – Material Contracts.

2.8 OVERSUBSCRIPTIONS

There is no provision for oversubscriptions under this Prospectus.

Eldridge Pit

2.9 DIRECTORS' INTERESTS

Details of the relevant interests in securities of the Company held by the Directors and their related parties (either directly or indirectly) as at the date of the Original Prospectus are set out in table 2.4 below.

Table 2.4: Directors' interests in securities of Genex

Directors' interest	No. Shares	No. Unlisted Options	Total	% Shares on Issue
Undiluted Basis				
Mr Michael Addison	27,000,000			28.5%
Mr Simon Kidston	20,700,000			21.9%
Mr Ben Guo	2,000,000			2.1%
Dr. Ralph Craven	200,000			0.2%
Mr. Alan du Mée	200,000			0.2%
Total	**50,100,000**		**50,100,000**	**52.9%**
Total Shares on Issue (Undiluted)	**94,715,000**		**94,715,000**	**100%**
Fully Diluted Basis				
Mr Michael Addison	27,000,000	1,000,000	28,000,000	27.1%
Mr Simon Kidston	20,700,000	1,000,000	21,700,000	21.0%
Mr Ben Guo	2,000,000	1,000,000	3,000,000	2.9%
Dr. Ralph Craven	200,000	3,000,000	3,200,000	3.1%
Mr. Alan du Mée	200,000	2,000,000	2,200,000	2.1%
Total	**50,100,000**	**8,000,000**	**58,100,000**	**56.2%**
Total Shares on Issue (Fullydiluted)	**94,715,000**	**8,500,000**	**103,215,000**	**100%**

- Mr. Addison and Mr. Kidston were substantial shareholders in the Company as at the date of the Original Prospectus and will continue to be substantial shareholders after completion of the Offer. The Directors may also participate in the Offer pursuant to this Prospectus.
- Further details of Directors' interests and remuneration are provided in Section 13 and Section 15 of this Prospectus.

2.10 ALLOTMENT OF SHARES AND LOYALTY OPTIONS

Subject to the ASX granting approval for the Company to be admitted to the Official List, the Directors will finalise the allotment of Shares and Loyalty Options as soon as possible after the Closing Date. The Company reserves the right to authorise the issue of a lesser number of Shares than those for which an Application has been made or to reject any Application.

Any Applicants who sell Shares before they receive their transaction confirmation statements do so at their own risk.

No securities will be allotted or issued under this Prospectus later than 13 months after the date of the Original Prospectus.

2.11 SPECULATIVE NATURE OF OFFER AND RISK FACTORS

As with any investment in listed securities, an investment in the Company is subject to a number of risks. Applicants should understand that power generation development is both speculative and subject to a wide range of risks and that even if the Project Feasibility Study is successful, Applicants may lose the entire value of their investment.

Before deciding to invest in the Company, Applicants should read this document carefully and in its entirety, with a particular emphasis on the risk factors detailed in Section 3.

Applicants should consider these matters in light of their personal circumstances (including financial and taxation affairs), their own risk profiles and investment parameters and, where necessary, seek professional advice before deciding whether or not to apply for Shares.

2.12 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue or transfer of Shares and Loyalty Options to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

2.13 ASX LISTING

The Company has applied to the ASX for admission to the Official List and for Official Quotation of its Shares. No application will be made to the ASX for Official Quotation of the Loyalty Options.

The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the value or merit of the Company or the Shares and Loyalty Options offered under this Prospectus. Official Quotation, if granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

If the Company has not been admitted for Official Quotation within 3 months of the date of the Original Prospectus, then the Company will refund all Application Monies received pursuant to this Prospectus in full. Interest will not be paid on Application Monies refunded.

The Directors will not allot Shares and Loyalty Options unless and until the ASX grants permission for the Shares to be admitted to the Official List.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

2.14 APPLICATIONS OUTSIDE AUSTRALIA

The Offer under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not, and is not intended to constitute, an Offer in any place or jurisdiction in which, or to any person to whom it would not be lawful to make such an Offer or issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession

of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the allotment and issue of Shares and Loyalty Options pursuant to this Prospectus. The return of a completed Application Form by an Applicant outside Australia will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals have been obtained. Applicants who are nominees or persons proposing to act as nominees should seek independent advice as to whether governmental or other consents are required, or other formalities need to be observed, before taking up Shares and Loyalty Options pursuant to this Prospectus.

2.15 CHESS

The Company will apply to be admitted to participate in the Clearing House Electronic Sub-register System, known as CHESS and will comply with the ASX Listing Rules and the ASX Settlement Rules. ASX Settlement, a wholly owned subsidiary of the ASX, operates CHESS in accordance with the ASX Listing Rules and ASX Settlement Rules.

On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares and Loyalty Options.

The Company will not issue certificates to Shareholders. Shareholders who are allotted Shares and Loyalty Options under this Prospectus will be provided with a transaction confirmation statement that sets out the number of Shares and Loyalty Options allotted to the Shareholder. Shareholders who elect to hold Shares and Loyalty Options on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), that sets out the number of Shares and Loyalty Options allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold their Shares and Loyalty Options on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares and Loyalty Options allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS, acting on behalf of the Company, will provide Shareholders with a holding statement that confirms the number of Shares and Loyalty Options held and any transactions executed by the Shareholder during that month.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Shareholder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares and Loyalty Options changes.

A Shareholder may request a holding statement at any other time. However, a charge may be made by the Share Registry for additional statements.

2.16 RESTRICTED SECURITIES

As a condition of admitting the Company to the Official List, the ASX may classify certain existing securities in the Company as restricted securities in accordance with the ASX Listing Rules. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine.

Prior to Official Quotation, the parties holding restricted securities must enter into restriction agreements with the Company on the terms set out in the ASX Listing Rules. Details of those restriction agreements will be disclosed to the market on the ASX's announcements platform prior to commencement of Official Quotation of the Shares.

As at the date of this Prospectus, the Company believes that approximately 75% of Shares on issue following completion of the Offer and the ASX Listing of the Company will be subject to some form of restriction arrangement under the ASX Listing Rules or voluntary escrow arrangements as agreed between the Company and existing Shareholders. Details of those restriction agreements will be disclosed to the market on the ASX's announcements platform prior to commencement of Official Quotation of the Shares.

2.17 TAXATION

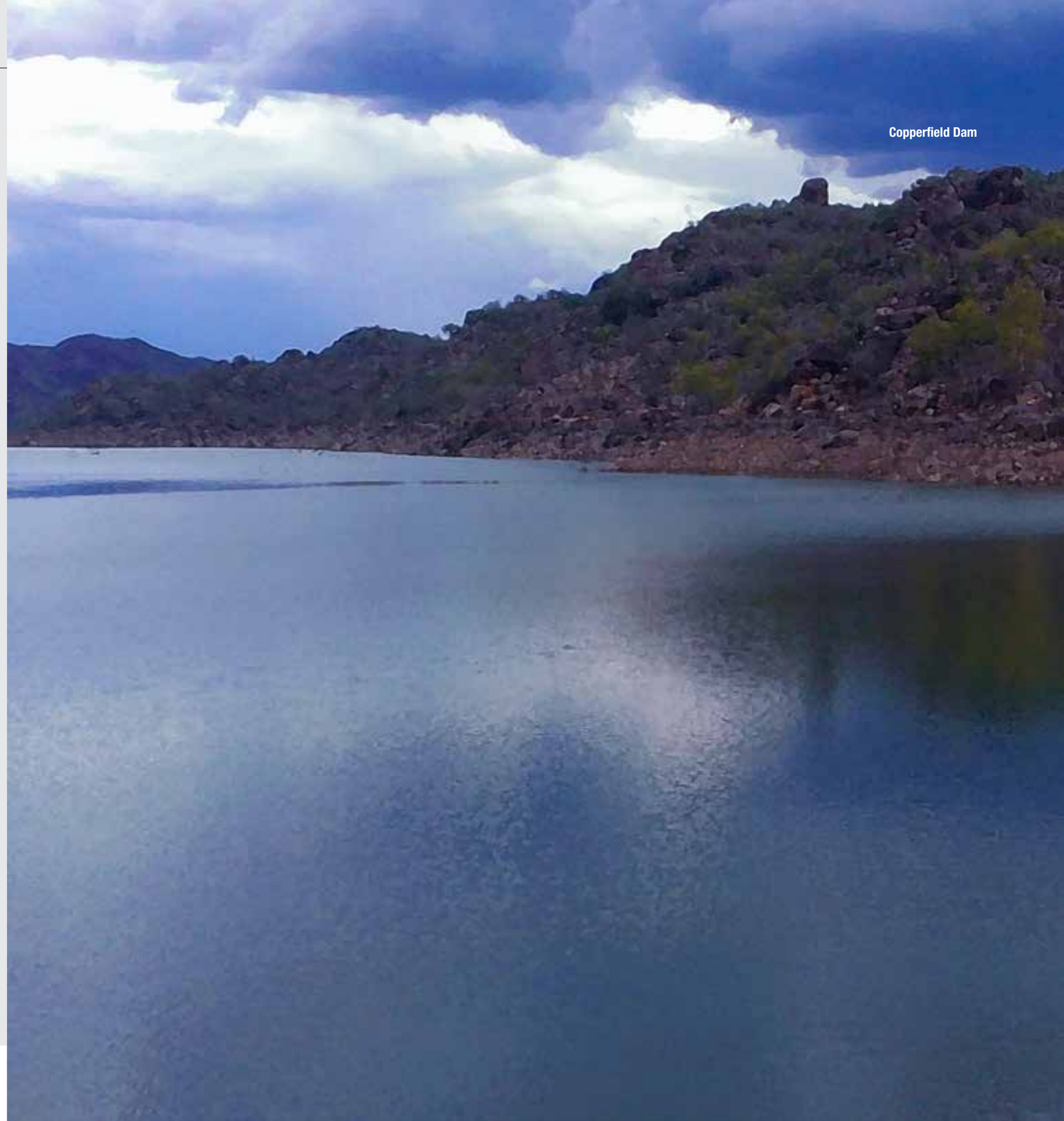
The acquisition and disposal of Shares and Loyalty Options will have taxation consequences which will differ depending on the individual circumstances of each investor. All potential investors in the Company should seek their own independent advice in relation to taxation matters.

The Company is unable to give advice on any taxation matter as each Applicant's position will relate to their own specific circumstances.

It is not necessary for Applicants to quote their tax file number on the Application Form. However, Applicants should read the instructions in the Application Form regarding the provision of their tax file number.

2.18 NO FORECASTS IN PROSPECTUS

The Directors believe that they do not have a reasonable basis to forecast future earnings for the Company in view of the fact that power generation development activities are subject to a number of inherently uncertain influences. Although the Company will seek to ensure that



Copperfield Dam

strategies are pursued to further the success of the Project's development, revenue generation cannot be reliably predicted. Accordingly, any forecast or projected financial information would contain such a broad range of potential outcomes and possibilities that it is not possible to provide a reliable estimate, forecast or prediction in this Prospectus.

Ergon Substation on Kidston Site

Notwithstanding the above statement, to the extent that there may be matters discussed in this Prospectus that are either based on theoretical financial illustrations using historical pricing data or the forward wholesale electricity price projection, such statements are only predictions and actual events or results may differ materially. In addition, there are statements in this Prospectus concerning the envisaged operations of the Company following completion of the Offer. These retrospective or forward-looking statements are subject to numerous risks. For a discussion of some of the risk factors which could cause actual events or results to differ materially from such retrospective or forward-looking statements, please refer to Section 3.

Any statement on past performance is not a guide to future performance. There are many risks which are likely to materially impact the financial returns of the Kidston Project. Past performance numbers are based on a number of assumptions which may change materially.

2.19 ENQUIRIES REGARDING THE OFFER

If Applicants have any queries about the terms of the Offer or how to apply for Shares and Loyalty Options, they should contact their financial advisor or the Company's Share Registry on 1300 737 760.

The Company is unable to advise Applicants on the suitability or otherwise of an investment in the Company, and for such advice Applicants must contact their own independent professional advisers.

2.20 PRIVACY DISCLOSURE

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer each Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses, the ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder in the Company, the Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder in the Company. Information contained in the Company's registers is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and to comply with legal and regulatory requirements.

If an Applicant does not provide the information required on the Application Form, the Company may not be able to accept or process the Applicant's Application.

2.21 SELLING RESTRICTIONS

No action has been taken to register or qualify this Prospectus, the Shares and Loyalty Options or the Offer or otherwise permit a public offering of the Shares and Loyalty Options in any jurisdiction outside Australia.

The Shares and Loyalty Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws.

Each Applicant will be taken to have represented, warranted and agreed as follows:

a. it understands that the Shares and Loyalty Options have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
b. it is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
c. it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
d. it will not offer or sell the Shares and Loyalty Options in the United States or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares and Loyalty Options are offered or sold.

SECTION 3 - BUSINESS AND INVESTMENT RISKS

3.1 OVERVIEW

There are factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of its securities. Some of these risks may be mitigated by the Company, however many of these factors are outside the control of the Directors and management of the Company.

This Section identifies some, but not all, of the risks associated with an investment in the Company. Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether or not to apply for Shares and Loyalty Options.

Any potential investor should be aware that subscribing for Shares and Loyalty Options involves various risks, and

SECTION 3 - BUSINESS AND INVESTMENT RISKS

an investment in the Company should be considered speculative.

The Shares and Loyalty Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares and Loyalty Options, and the future performance of the Shares and Loyalty Options may be influenced by a range of factors, some of which are set out below.

Before applying for Shares and Loyalty Options, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares and Loyalty Options are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares and Loyalty Options, you should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to subscribe for Shares and Loyalty Options under this Prospectus.

Wises Pit

3.2 SPECIFIC BUSINESS RISKS

3.2.1 Inputs and Assumptions

Genex has relied on a number of assumptions and data prepared by third parties in relation to the Pre-Feasibility Analysis which included Genex's projected capital expenditure requirements and the Historical Financial Back Test. Given this analysis was at pre-feasibility level only, these assumptions are subject to inherent risks and uncertainties. There is a risk that the assumptions, predictions, conclusions or projections will not prove to be accurate and that the results in the Project Feasibility Study will differ significantly from the Pre-Feasibility Analysis, Genex's projected capital expenditure requirements and the Historical Financial Back Test as set out in this Prospectus. Any material variations may affect the economic and technical viability of the Kidston Project.

3.2.2 Liquidity Risk

Under the Broker Firm Offer and Institutional Offer investment is only being sought from new investors for a minority stake of 20.2% in the Company. Upon completion of the Offer, existing Shareholders (including Zhefu) will hold 79.8% of the Shares in the Company. Of these, 36.8% of Shares will be escrowed for 6 months voluntarily as set out in Section 13 and a further 37.8% of Shares that are held by founders and related parties will be compulsorily escrowed for 2 years. Having approximately 75% of Shares escrowed at completion of the Offer presents a liquidity risk for investors.

3.2.3 Environmental Approvals Risk

The Company is reliant on environmental approvals to enable it to proceed and develop and operate the Kidston Project. There is no guarantee that the required approvals will be granted in order to allow the Company to proceed and develop and operate the Kidston Project. Failure by the Company to obtain the relevant approvals, or any delay in the award or transfer of the approvals, may materially and adversely affect the ability of the Company to develop and operate the Kidston Project.

Each environmental approval may be issued for a specified term and may be subject to conditions that must be complied with and which may be periodically reviewed. Consents that expire may not be renewed, or may be renewed on terms that are less favorable to the Company.

In the event that the Company obtains the required environmental approvals, any changes to these approvals that arise out of a review process could restrict or stop the Company from developing and operating the Kidston Project. There is also a risk that the Company may breach the conditions of one of its approvals which may result in the approval being revoked or the Company being prosecuted.

3.2.4 Variation of Environmental Authority

As part of the mining lease, there is currently a pre-existing Environmental Authority (EA) over the site. As part of the Kidston development, Genex intends to undertake an assessment in conjunction with the Department of Environment and Heritage Protection as to whether the existing EA adequately covers the proposed pumped storage activities for the site. If necessary, Genex will seek modifications to the EA so as to ensure all planned activities will be in compliance with the EA. There is no guarantee that the requested modifications to the EA will be granted.

3.2.5 Land Title

Interests in leases and tenements in Queensland are governed by legislation and are evidenced by the granting of leases and licences by the State. The Company and its wholly owned subsidiary KGML are subject to the Mineral Resources Act 1989 (QLD) and have obligations to meet conditions that apply to the Title on which the Company proposes to develop the Kidston Project, including the payment of rent and prescribed annual expenditure commitments.

The Title on which the Company proposes to develop the Kidston Project is subject to annual review and periodic renewal.

It is the Company's intention to satisfy the conditions that apply to the Title. However, there are no guarantees that, in the future, the Title will be renewed or that minimum expenditure and other conditions that apply to the Title will be satisfied. If the conditions that apply to the Title are not satisfied, it may be subject to additional conditions, penalties, objections or forfeiture applications. Alternatively, applications, transfers, conversions or renewals in respect of the Title may be refused, objected to or may not be approved with favourable terms. Any of these events could have a materially adverse effect on the Company's prospects and the value of its assets.

There are currently no registered easements securing ongoing access for Genex to operate, maintain or decommission the Copperfield Dam Pipeline. No such approvals were in existence prior to Genex acquiring the Kidston Project, during which time the Copperfield Dam Pipeline has continued to operate. Genex intends to liaise with the necessary stakeholders to obtain formal approval for such access. If the requisite approvals are not granted, it may affect Genex's ability to develop the Kidston Site.

For further information on the Title refer to the Solicitor's Report on Title in Section 11.

3.2.6 Evaluation and Commercialisation Risk

The economic and technical viability of the Kidston Project is dependent on a number of key factors, including;

- the ability of the Company to purchase power at low prices during off-peak power demand periods;
- the ability of the Company to sell power at elevated prices during peak power demand periods; and
- the ability of the Company to complete construction of the Kidston Project at a capital construction cost that delivers viable economic returns.

Whilst the Company has based its preliminary evaluation of the economic and technical viability of the Kidston Project on a number of price, cost and other market related assumptions, there is no certainty that these assumptions will hold in the future. This may call into question the economic and technical viability of the Kidston Project prior to construction or may render the Kidston Project unprofitable following completion of construction.

3.2.7 Power Price Volatility Risk

The economic and technical viability of the Kidston Project is dependent on future peak and off-peak electricity prices, the relationship between peak and off-peak electricity prices, the frequency and duration of peak pricing and off-peak pricing events and the overall volatility of the NEM in Queensland. There is no certainty that historical pricing patterns experienced over the past will be repeated in the future.

3.2.8 Competition Risk

The Queensland electricity market is competitive. The actions of an existing competitor or the entry of new competitors into the Queensland electricity market may make it difficult for the Company to establish the Kidston Project. If the Company is successful in developing the Kidston Project, the actions of an existing competitor, or the entry of a new competitor, may make it difficult for the Company to grow or maintain its revenues, which in turn, may have a material adverse effect on the Company's profitability. These actions could include, for example, the development of a new power generator to supply electricity to the Queensland market or a competitor developing an alternate pumped storage hydroelectric project.

3.2.9 Renewable Energy Competition Risk

Australia is currently experiencing growth in the construction of renewable energy generation plants, including wind and solar power generation facilities. In particular, the uptake of rooftop solar PV installations in Queensland has seen significant growth over the past few years. Further growth in Queensland's renewable energy generation capacity, including rooftop solar PV generation, poses a potential competitive threat to the economic viability of the Kidston Project.

3.2.10 Technology Risk

Pumped storage hydropower is a mature technology used for the storage and management of energy. In the future, other technologies could be developed as a way to manage and store energy. Any future advances in other technologies could adversely impact Genex.

3.2.11 Geological Risk

A portion of the proposed civil works will be underground and therefore subject to faulting , rock stability and other geotechnical issues which may impact construction costs and safe operation of the plant. Any geological issue which impacts the construction or operations of the Kidston Project could adversely impact Genex.

3.2.12 Limited Operating History

The Company has only completed the Pre-Feasibility Analysis and is yet to commence the Project Feasibility Study of the Kidston Project and has only limited historical operating data and financial information available upon which Applicants can base their evaluation of the Company's business and prospects. As a result, the Company may not have sufficient experience to address the risks frequently encountered by companies with a limited operating history, including the Company's potential failure to:

- establish the Kidston Project;
- conduct profitable power generation operations;
- attract, train, motivate and retain qualified personnel;
- keep up with evolving industry standards and market developments;
- manage the Company's operations, including the integration of any future acquisitions;
- anticipate and adapt to any changes in relation to government regulation, mergers and acquisitions involving the Company's competitors and other significant competitive and market dynamics; or
- maintain adequate control over the Company's costs and expenses.

The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of feasibility, which have a high level of inherent uncertainty.

3.2.13 Key Personnel Risk

The Directors' and senior managers' ability to successfully manage the Company's performance and the opportunities identified in this Prospectus will directly affect the success of the Company. The Company may be adversely affected if any of the Directors or senior management leave the Company. Although Mr. Michael Addison, Managing Director, is retained under an Executive Services Agreement (see Section 13), there can be no assurance that his services will continue to be available to the Company on an indefinite basis. The Company may not be able to replace its Directors or key employees with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel. Loss of such personnel may also have an adverse effect on the performance of the Company pending replacements being identified and retained by or appointed to the Board of the Company.

3.2.14 Future Financing

Future financing will be required by the Company to support its proposed construction and development plans. There can be no assurance that such funding will be available on satisfactory terms or at all. Inability to obtain funding will adversely affect the Company and may result in the Kidston Project not proceeding or defaults in licences or permits which, if not remedied, could result in forfeiture. Any future financing is likely include equity financing. Given the amount of future financing required to fund the Kidston Project, any significant equity financing will have a dilutive effect on Shareholders at the time.

3.2.15 Contractual Risks

As a party to contracts, the Company will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.

3.2.16 Operational risk

If the Company is successful in developing the Kidston Project, the Company's proposed activities will be subject to numerous operational risks, many of which are beyond the Company's control.

The Company's operations may be curtailed, delayed or cancelled as a result of factors such as adverse weather conditions, mechanical difficulties, shortages in or increases in the costs of consumables, spare parts, plant and equipment, external services failure (such including energy and water supply), industrial disputes and action, difficulties in commissioning and operating plant and equipment, IT system failures, mechanical failure or plant breakdown, and compliance with governmental requirements.

Industrial and environmental accidents could lead to substantial claims against the Company for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations.

The occurrence of any one or a combination of these events may have a materially adverse effect on the Company's performance and the value of its assets.

3.3 GENERAL RISKS

Most of the general risks discussed below are outside the control of the Company and the Directors and cannot be mitigated.

3.3.1 Share Market Risk

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. Investors who decide to sell their Shares after Listing may not receive the entire amount of their original investment. The price of Shares listed on the ASX may also be affected by a range of factors including the Company's financial performance, and by changes in the business environment specifically affecting the Australian energy sector and energy companies.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements in international stock markets, economic conditions and the general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes, and general investor perception. Neither the Company nor its Directors have control over any of these factors nor can they guarantee that the price of Shares will not be affected by one or more of these factors.

3.3.2 General Economic Conditions

Factors affecting the general economic climate may affect the performance of the Company. These factors include the general level of international and domestic economic activity, inflation and interest rates, commodity pricing and the general level of activity within the energy industry. These factors are beyond the control of the Company and their impact cannot be predicted.

SECTION 3 - BUSINESS AND INVESTMENT RISKS

3.3.3 Currency Exchange Rate Risk

It is likely that the electrical and mechanical equipment required for the construction of the Kidston Project, which will include pumps, generators and turbines, will be sourced from overseas manufacturers. Overseas manufacturers generally provide price quotes in US dollars, or in local Australian currency subject to Australian dollar exchange rate fluctuations. The Australian dollar has historically been subject to significant fluctuations relative to the US dollar. Future exchange rate fluctuations will subject Genex to unpredictable variations in the cost of capital equipment required for the Kidston Project.

3.3.4 Changes in Laws and Government Policy

Changes in government regulations and policies (including changes to legislation relating to the Australian energy market), may adversely affect the financial performance and/or the current and proposed operations of the Company.

3.3.5 Government Actions

The impact of actions by governments may affect the Company's activities, including in relation to access to infrastructure, compliance with environmental regulations, taxation and royalties.

3.3.6 Unforeseen Expenses

The proposed expenditure on the Kidston Project may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

3.3.7 Risk of Shareholder dilution

In the future, the Company may elect to issue Shares in connection with fundraisings, including to raise proceeds, to fund business operations or acquisitions the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings. Based on the Pre-Feasibility Analysis, total capital expenditure for the Kidston Project is estimated at approximately $282 million, which will require additional financing. Any significant equity financing will have a dilutive effect on Shareholders at the time.

SECTION 4 - COMPANY OVERVIEW

4.1 BUSINESS DESCRIPTION

Genex is a prospective power generation development company based in Australia. The Company is focused on delivering returns for Shareholders. Whilst the current focus is on the development of the Kidston Project, Genex intends to pursue any attractive generation development and acquisition opportunities across Australia that may arise in the future.

4.2 THE KIDSTON PROJECT

Genex is currently planning to develop its flagship Kidston pumped storage hydroelectric power project located in Northern Queensland. The Kidston Project has the potential to generate up to 330MW of rapid response, flexible peaking power for delivery into Australia's National Electricity Market.

The Kidston Project is expected to offer a large scale, low cost, flexible solution to Queensland's growing peaking power requirements. If successfully developed, the Kidston Project should be well positioned to take advantage of

The Kidston Site (aerial shot)

the combined effects of the current oversupply of baseload generation capacity and the anticipated escalations in peak power prices being driven, in part, by increasing gas prices.

Peaking power in Queensland is predominantly provided by gas turbine generators. Given the expected increase in domestic gas prices following the start-up of the new LNG projects in Gladstone, there is the potential for pressure on the ability of gas turbines to operate profitability at current wholesale electricity prices. It is believed that the Kidston Project could be well positioned to take advantage of these changing market dynamics.

The Kidston Project benefits from significant in-situ infrastructure, licences, permits and building materials. The presence of these assets is expected to mitigate a portion of the establishment costs that Genex would otherwise have to incur in establishing a large scale PSH scheme.

Following acquisition of the Kidston Project in June 2014, Genex completed a Pre-Feasibility Analysis which indicated the Kidston Project to be economically and technically viable at a pre-feasibility level.

Genex is now seeking to further de-risk the proposed Kidston Project by undertaking a Project Feasibility Study to advance the Kidston Project and applying for the various licences and approvals required for its construction and operation. During the Project Feasibility Study, the Company intends to be actively engaged in negotiating power purchase and power sale agreements with generators and retailers. Success in these negotiations has the potential to further de-risk the project by locking in future earnings and potentially increasing the overall probability of achieving attractive project financing terms.

4.3 PROJECT PIPELINE

The listing of Genex on the ASX is expected to provide greater access to the equity capital markets and will allow the Company to pursue other potential generation development and acquisition opportunities that exist across Australia.

4.4 EXPERIENCED BOARD AND MANAGEMENT

Genex's Board and management bring a diversified mix of skills to the Company, with extensive experience in the following areas:

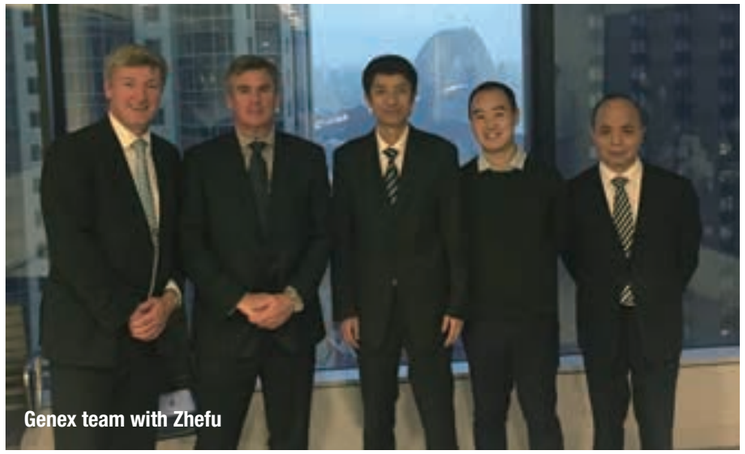
- power generation operations;
- operation of a pumped storage hydro generation plant;
- transmission and infrastructure construction;
- transmission and distribution management;
- energy retailing;
- water engineering;
- resource infrastructure management;
- entrepreneurial and business activities; and
- corporate and financial management.

4.5 CORNERSTONE SHAREHOLDING AND STRATEGIC ALLIANCE WITH ZHEFU

Genex recently formed a strategic alliance with Zhefu Hydropower International Engineering Corporation Limited (Zhefu). Following completion of the Offer set out in this Prospectus, Zhefu will hold a 20% equity interest in Genex.

Zhefu is one of the largest hydroelectric electrical and mechanical equipment manufacturers in China. The Company is listed on the Shenzhen Stock Exchange and, as at 30 April 2015, had a market capitalisation of approximately US$3.6 billion.

Headquartered in city of Hangzhou within the Zhejiang province of China, and with an operating history stretching back to 1970, Zhefu currently has approximately 3,000 employees. Whilst the company's core business remains in hydropower, Zhefu is now a diversified business with operations and investments in energy, finance, property, network and media.



Genex team with Zhefu

SECTION 4 - COMPANY OVERVIEW

Zhefu has capabilities in hydropower and specialises in offering full "water to wire" solutions for customers. Their services include the manufacture of turbines, generators and balance of plant equipment, installation, operation and maintenance of equipment, as well as project financing and EPC contracting.

With an annual manufacturing capacity of approximately 3,000MW of hydroelectric equipment, Zhefu has to date installed more than 200 medium and large scale turbine-generator units in over 20 countries.

Genex's strategic alliance with Zhefu will enable the Company to access Zhefu's knowledge base and expertise in hydropower. It will also allow Genex to leverage Zhefu's existing network of contacts and relationships within the hydropower industry.

Genex has an arrangement with Zhefu pursuant to which Zhefu has the ability to participate in the tender process for the supply of mechanical and electrical equipment for the Kidston Project.

Zhefu also has the right under certain circumstances to appoint a Director to the Genex Board.

A summary of the key terms of the Convertible Note Agreement between Genex and Zhefu is described in Section 13 of this Prospectus.

Zhefu is one of the largest hydroelectric electrical and mechanical equipment manufacturers in China.

The Company is listed on the Shenzhen Stock Exchange and, as at 30 April 2015, had a market capitalisation of approximately US$3.6 billion.

Zhefu prototype lab

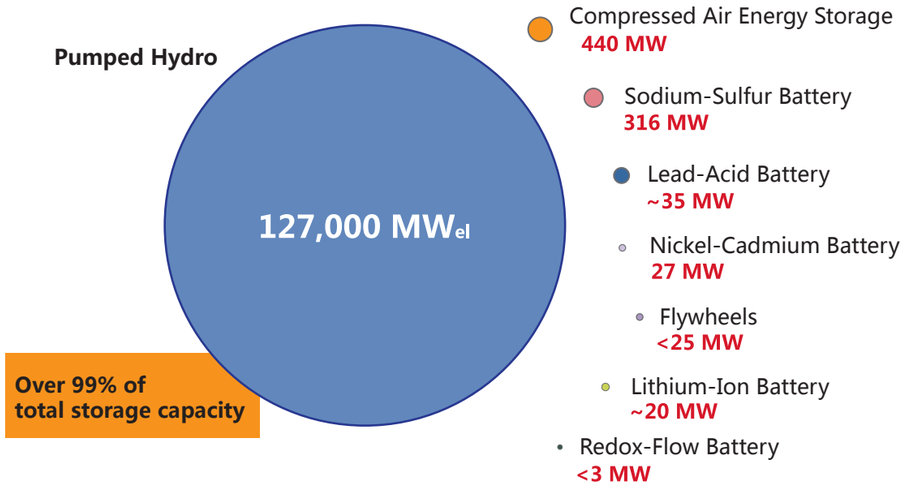
SECTION 5 – THE KIDSTON PROJECT

5.1 PUMPED STORAGE SCHEMES

5.1.1 Electrical Energy Storage and Generation

Pumped storage schemes represent a widespread and mature proven technology used worldwide to provide a reliable and efficient means for matching supply and demand in electricity networks. Globally, pumped storage hydroelectricity is the most efficient and effective form of large scale electrical energy storage, dominating all other categories of storage.

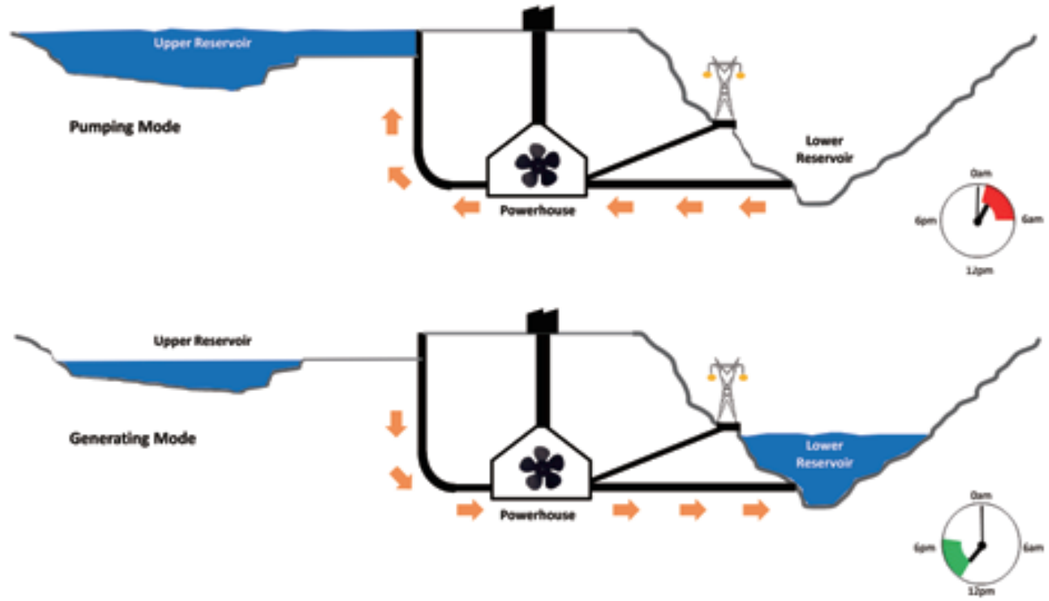
Figure 5.1: Worldwide installed storage capacity for electrical energy



Source: Fraunhofer Institute, EPRI

Pumped storage hydroelectricity schemes are designed for energy storage and load balancing in power systems. Electricity generation in a pumped storage scheme works much like conventional hydroelectric schemes. In periods of high demand, electricity is generated when water is released from an upper reservoir through turbine generators and into a lower reservoir. Unlike conventional hydroelectric schemes, the water is not discharged from the lower reservoir but is instead pumped back to the upper reservoir during off-peak hours by drawing electricity from the grid.

Figure: 5.2: Pumped storage hydroelectricity scheme operation



The energy generating capacity of a pumped storage scheme is set by two primary factors:

- the water storage capacity of the lesser of the two water storage reservoirs, and
- the net head determined by the relative elevation of the two water storages (i.e. the difference in water levels between the two reservoirs).

The energy that can be cycled in a pumped storage scheme is directly proportional to the water storage capacity (of the lesser reservoir) and the net water head between the reservoirs.

5.1.2 Pumped Storage Schemes around the World

The first use of pumped storage schemes was in the 1890s in Italy and Switzerland. In the 1930s, reversible hydroelectric turbines became available which could be operated as both turbine-generators and in reverse as electric motor driven pumps. Use of the pumped storage in the United States commenced in 1930 by the Connecticut Electric and Power Company. Using a large reservoir located near New Milford, Connecticut, water was pumped from the Housatonic River to the storage reservoir 230 feet above sea level.

Today there are many pumped storage schemes around the world with varying dam capacities, generation and pumping capabilities. In 2010 the United States had around 40 installed plants, representing around 21,500MW of generation capability and accounting for approximately 2% of the country's total energy generation capacity.

Figure 5.3: Pumped storage Projects in the United States in 2010

Source: HDR

5.1.3 Pumped Storage Schemes in Australia

Pumped storage schemes typically require a particular combination of topographical, geological and hydrological conditions which usually occur in national forests and mountain areas with pristine river systems. The Kidston Project is unique to the extent that it is well positioned to be able to leverage the assets associated with a disused mine site in an area with limited environmental sensitivity to create a closed-loop power generation system that is not reliant on natural water systems.

Australia has only three principal pumped storage generation schemes of any scale operating in the NEM. Following completion of construction, the Kidston Project will be the third largest of its kind in the country, with a proposed nameplate generation capacity of 330MW.

Table 5.1: Large Scale Pumped Storage Hydroelectric Schemes in Australia

Scheme Name	Location	Capacity (MW)	Year Commissioned	Registered Owner
Tumut 3	Snowy Mountains	600	1973	Snowy Hydro Limited
Wivenhoe	South East Queensland	500	1984	CS Energy Limited
Shoalhaven	Southern New South Wales	240	1977	Origin Energy Electricity Limited

Source: Ernst & Young

5.1.4 Pumped Storage and the Growth of Renewable Energy

As renewable energy generation increases as a proportion of the overall generation mix, volatility in the electricity market is predicted to increase. This is due to the intermittency which is inherent to renewable energy sources such as solar and wind, which are by nature unpredictable. Intermittent generation places a burden on power system operators in managing supply and demand. Managing the balance between energy production and consumption is a key role for the Australian Energy Market Operator (AEMO), as part of its duty to ensure the stability of the NEM.

As such, the significance of pumped storage schemes is becoming even more important due to the growth of renewable energy. Pumped storage schemes can support renewable energy sources by offsetting the intermittency in their generation profile and enabling power system operators to manage fluctuations in renewable energy generation.

5.2 THE KIDSTON PROJECT

5.2.1 Overview

Genex is planning to develop its Kidston Project in Northern Queensland. The Kidston Project proposes the installation of a 330MW pumped storage hydroelectric power generation station at the site of the former Kidston gold mine, situated approximately 90km south east of the township of Georgetown. The Kidston gold mine closed in 2001 and is now the subject of an ongoing environmental maintenance program.

Figure 5.4: The Kidston Site location

Source: Genex

The Kidston Project is situated approximately 160km from Powerlink's principal north-south coastal power transmission system, which supplies power to the National Electricity Market's (NEM) Northern Queensland Region. The Northern Queensland Region is partly reliant on generation from the Central Queensland Region to meet its power demand requirements.

Following the acquisition of KGML in June 2014, Genex now holds sole rights over the Kidston Project and its associated infrastructure. Existing assets include leasehold crown land, existing in-ground reservoirs, a water pipeline to the Copperfield Dam and water licence rights to the Copperfield Dam.

Large scale pumped storage power generation schemes typically involve the building of dams, pipes and tunnelling, the flooding of valleys and the construction of power transmission lines, resulting in high establishment costs. They also typically entail a significant environmental footprint, lengthy permitting processes and long project lead times. The Kidston Project benefits from significant existing onsite and surrounding assets which Genex believes has the potential to mitigate project construction costs and shorten the permitting timeframe and project construction timetable.

5.2.2 Existing Assets

Assets acquired by Genex in conjunction with the acquisition of KGML can be divided into 3 broad categories, and include:

Fixed assets

- two large water reservoirs in close proximity;
- suitable quality water in both reservoirs;
- onsite power and roads;
- a water pipeline from the Copperfield Dam to site;
- leasehold crown land of 1,237ha;
- fencing;
- significant quantities of naturally occurring construction materials; and
- access to a water supply dam, accommodation, access roads and an airstrip.

Licences/permits

- an existing EA and a term lease over the Kidston Site;
- extinguished pastoral rights;
- a water licence agreement to draw significant top up water volumes annually from the Copperfield Dam to site; and
- native title and cultural heritage clearances.

Data/statistics

- over 10 years of groundwater monitoring data;
- reservoir water quality and water datum figures;
- site hydrogeological modelling information;
- drill borehole data;
- rock integrity and pit wall stability information;
- reservoir survey data;
- rainfall data; and
- survey maps.

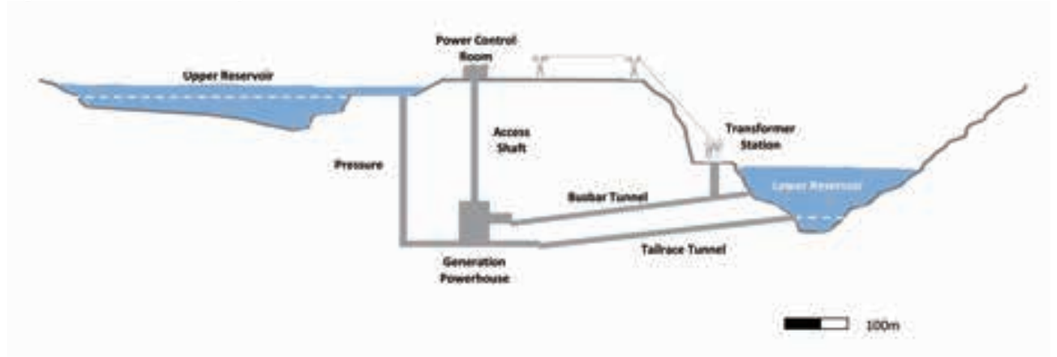
Figure 5.5: The Kidston Project

Source: Genex

The Kidston Project will make use of the two large disused mine pits as its upper and lower water storage reservoirs. The considerable depth of the pits will give the scheme an average water elevation head differential of approximately 190m during plant operation, facilitating a total of around 1,650MWh of continuous generation capacity in a single generation cycle. Once installed, the Kidston Project could potentially operate as both a peaking and intermediate power generation plant.

If developed, the Kidston Project will be configured as a closed loop system, where water movement between the upper and lower reservoirs will be self-contained. This is intended to minimise the environmental impact during operation.

Figure 5.6: The Kidston Project Schematic



5.2.3 Pre-Feasibility Analysis

Over the course of 2014, Genex completed a Pre-Feasibility Analysis (**Pre-Feasibility Analysis**) of the Kidston Project. The analysis relied on advice, inputs, reports and cost estimates provided by a number of third party contractors with specific expertise in the areas of hydro power site, plant and equipment design and manufacturing, civil construction works, power transmission line design and construction, and the National Electricity Market.

Preliminary power station and equipment design were carried out by HydroChina with assistance from Zhefu. Civil contractor costings were provided by the Mancala Group, whilst a Transmission Connection Options analysis was carried out by UGL.

The scope of the Pre-Feasibility Analysis was to:

- analyse the dynamics of the Queensland wholesale electricity market and the market position of the Kidston PSH scheme;
- identify the optimal size/capacity of the Kidston Project;
- analyse the options for connecting the Kidston Project to the NEM;
- assess the site for potential fatal flaws;
- design and configure the scheme to accommodate the generation capacity;
- identify the approvals pathway for the Kidston Project;
- estimate capital and operating costs of the Kidston Project; and
- estimate financial returns which could potentially be derived from the Project.

Key Findings:

- The Pre-Feasibility Analysis has determined the optimal generation capacity for the Kidston Project to be approximately 330MW. Based on this capacity, a scheme was designed which will allow the Kidston Project to operate at an average water head of approximately 190m with a total capacity of approximately 1,650MWh. This translates into a generation capability of 330MW for around 5 hours in a single continuous generation cycle.
- The configuration of the scheme sought to take advantage of the layout of the site and minimise the civil works required during the construction process. As part of the design process, no fatal flaws were identified.
- The Pre-Feasibility Analysis also found that the commencement of LNG export from Queensland will add to the growth in demand for electricity. At the same time, the expected rise in gas prices could have a significant impact on the profitability of existing gas turbines, which make up a meaningful portion of Queensland's generation mix. These and other market dynamics bode positively for the development of the Kidston Project.
- The optimal connection point to the NEM is along Powerlink's 275kV transmission line near Wallaman, which is located approximately 160km from the Kidston site.
- The history of mining and associated environmental disturbance as well as the relative remoteness of the Kidston Site should make the approvals pathway for the construction of the Kidston Project relatively straightforward. A defined approvals process was identified in the Pre-Feasibility Analysis and has been summarised in Section 5.2.14.
- The Kidston Project has an estimated total capital cost of approximately $282 million
- Annual operational and maintenance costs are estimated to be approximately $4 million.

Overall, the results of the Pre-Feasibility Analysis showed the Kidston Project to be both economically and technically viable at a pre-feasibility level.

SECTION 5 - THE KIDSTON PROJECT

Table 5.2 sets out the broad operating outcomes of the scheme as per the Pre-Feasibility Analysis.

Description	Unit	Quantity
Upper Reservoir		
Full supply level	m	529.70
Minimum operating level	m	522.00
Lower Reservoir		
Full supply level	m	359.00
Minimum operating level	m	315.00
Generation Capacity		
Installed capacity	MW	330
Number of units	Set	3
The maximum pumping head / minimum generating head	-	1.35
Utilisation hours in case of full generation	h	5
Single unit capacity	MW	110

Source: HydroChina

5.2.4 Configuration of the Kidston Project

If developed, the Kidston Project will be configured to minimise civil construction costs and electrical equipment costs. The initial design philosophy leverages well practised Australian underground tunnelling and excavation techniques and takes advantage of beneficial rock geology over the site. The electrical equipment design for the proposed Kidston Project has been based on mature and commonly used specifications.

Over the course of a full 5 hour generation cycle, water levels in the upper and lower reservoirs will vary by approximately 7.7m and 44.0m respectively, with a maximum water head of approximately 215m and a minimum water head of approximately 160m over the full generation cycle period. The main operating parameters of the Kidston Project are summarised in Tables 5.3 and 5.4.

Table 5.3: Kidston Project - Potential Parameters (Reservoirs)

	Item	Unit	Value
Upper reservoir	Full supply level (from seal level)	m	529.70
	Minimum operating level (from seal level)	m	522.00
	Drawdown	m	7.70
	Reservoir capacity at FSL	10^4m^3	2625
	Dead reservoir storage	10^4m^3	2257
	Regulating reservoir storage	10^4m^3	369
Lower reservoir	Full supply level (from seal level)	m	359.00
	Minimum operating level (from seal level)	m	315.00
	Drawdown	m	44.00
	Reservoir capacity at FSL	10^4m^3	481
	Dead reservoir storage	10^4m^3	110
	Regulating reservoir storage	10^4m^3	371

The Eldridge pit

Table 5.4: Kidston Project - Potential Parameters (Reservoirs)

	Item	Unit	Value
Power generating condition	Maximum head	m	214.7
	Minimum head	m	160.0
	Weighted average head	m	184.7
	Proposed rated head	m	190.0
	Maximum / minimum head	-	1.34
Pumping condition	Maximum head	m	216.7
	Minimum head	m	163.7
	Maximum head/minimum head	-	1.32

Wises pit

5.2.5 The Mine Pits

The upper reservoir (the Wises Pit), which covers a surface area of around 52ha, was originally mined to a depth of approximately 240m. The lower reservoir (the Eldridge Pit), which covers a surface area of approximately 54ha, was mined to a depth of around 270m. During the mining process, approximately 27Mt of tailings produced from the Eldridge Pit were co-disposed with approximately 35Mt of waste rock into the mined out Wises Pit. The total surface area disturbed by mining and milling operations is about 830ha over a total site area of 1,237ha. The pits are located approximately 400m apart at surface and approximately 700m apart at their deepest point.

5.2.6 Water Quality

The in-pit water quality at the Kidston Site is generally suitable for a hydro scheme. Water quality is tested regularly as an ongoing condition of the existing EA. Figures indicate negligible levels of metal contaminant, relative pH neutrality and insignificant amounts of arsenic.

Table 5.5: In-pit water quality data at 22-10-2013

	pH	Conductivity*	Sulphate
		mS/cm	mg/L
Wises Pit (upper reservoir)	8.06	5.3	3390
Eldridge Pit (lower reservoir)	7.93	3.2	1860

Source: Barrick Gold

5.2.7 The Copperfield Dam

Located approximately 18km south of the Kidston Project, the Copperfield Dam was constructed on the Copperfield River in 1986 in order to meet the full water requirements of the Kidston mine and township. The Copperfield Dam has a current carrying capacity of approximately 20,400ML and overflows seasonally with an annual yield of approximately 15,000ML (based on an 85% probability).

The Kidston Project is connected to the Copperfield Dam via a gravity fed pipeline which is owned by Genex. Genex currently retains a water access agreement with the Queensland government to draw up to 4,650ML of water from the Copperfield Dam annually. This water is expected to be sufficient to meet both the construction requirements of the Kidston Project as well as any water required annually to keep the water levels in the reservoirs in equilibrium.

Ownership of the Copperfield Dam currently resides with Queensland State Government.

Copperfield Dam

5.2.8 Rainfall

Kidston experiences an annual rainfall pattern typical of tropical Northern Queensland, with most rain occurring between the months of November and March each year. The nearest available site with a long term rainfall record is Georgetown, which has a mean annual rainfall of 822.5mm (137 years from 1872 – 2011).

Table 5.6: Annual Rainfall Pattern (Georgetown, QLD)

Rainfall measure	Rainfall (mm)	Year of occurrence
Mean	822.5	-
Maximum	2045.7	1974
Minimum	308.4	1926

Source: Australian Government – Bureau of Meteorology

5.2.9 Site access

As a former large-scale open pit mine, the Kidston Project is able to accommodate road delivery of large items of capital equipment. The site is easily accessible by heavy road transport from either Townsville or Cairns, with the only restrictions being limited road bridge access during periods of heavy rainfall and river flooding during the wet season.

As the first “fly-in-fly-out” mine in Australia, the Kidston Project is also accessible by air from either Townsville or Cairns (1.25hrs) via a well maintained 1,200m gravel airstrip.

5.2.10 Power

The Kidston Project has full access to power via a 132kV three-phase AC transmission line and associated transformer substation that was constructed during mine development. The line is currently active and has significant further load carrying capacity. The capacity of the existing power infrastructure is sufficient to meet power requirements during the Kidston Project construction phase.

Ergon Substation on Kidston Site

5.2.11 Power Delivery to the Network

As an integral part of its Pre-Feasibility Analysis, Genex commissioned the services of two independent advisers to assess various options for the delivery of power generated at the Kidston Site to the National Electricity Market. The preferred option will involve the building of a new 160km long 275kV, single circuit transmission line between the Kidston Site and the closest point on Powerlink's main 275kV north-south coastal transmission line between Townsville and Cairns (the Kidston-Wallaman Line)

The proposed 275kV Kidston-Wallaman Line

The proposed new Kidston-Wallaman Line offers a number of advantages over other options considered in the Pre-Feasibility Analysis:

- it would not disrupt the existing 132kV supply arrangements at Kidston during the build phase;
- it would connect directly to the Kidston generator step up transformers at the Kidston Site;
- connection to the Powerlink network would be relatively straight forward, with the requirement for a switching station at the Wallaman end of the line; and
- the estimated transmission lines losses would be lower than those associated with other options considered.

Figure 5.7: Proposed new Kidston-Wallaman 275kV transmission line

Source: Genex

The proposed 275kV Kidston-Wallaman Line would allow for high capacity power transmission during both

generation and pumping phases. The line would also have sufficient carrying capacity for any future expansion of the Kidston Project or potential new development along the proposed connection route.

A preliminary power flow connection analysis and a cost estimate for this option were provided as part of the Pre-Feasibility Analysis. The study was based on a scheme configuration comprising 3 x reversible 110MW pump/generators transmitting via a new 275kV "Sulphur" AAAC transmission line. The study indicated transmission losses of approximately 3-4% in each direction, and an estimated build cost of approximately $115 million.

5.2.12 Transmission Line Easement Timetable

Genex has commenced discussions with third parties in relation to the construction of the proposed 275kV Kidston-Wallaman Line and the acquisition of the associated easements. Final route selection will form part of the Project Feasibility Study.

Genex has two main options to procure easements along the proposed power transmission route:

- Powerlink under the Sustainable Planning Act 2009 (QLD) has a process of consultation and environmental studies; or
- Private negotiation with land owners. The proposed route has a relatively small number of land owners. Private negotiations may therefore present an attractive option to fast track the easement process. The timing will depend on the cooperation of land owners (and terms offered), and could be completed within 12 to 18 months.

5.2.13 Environmental Approval Process

If developed, it is expected that the Kidston Project will have a greatly reduced environmental footprint compared to conventional hydroelectric power schemes. All the proposed civil works for the power plant will remain within the disturbed grounds of the mine site. Minimal ground surface disturbance is expected during the construction phase given the civil works will principally be conducted underground.

The proposed pumped storage scheme will be a closed loop system, that is, the water in the pits will be transferred between the reservoirs with no external discharge during operation apart from natural evaporation and potential seepage. This will ensure there is minimal environmental impact to the local river systems.

Since the closure of the Kidston gold mine in 2001, the previous owners of the site carried out the majority of the required site rehabilitation work. The site is now largely remediated with Genex retaining the responsibility of ongoing site monitoring and maintenance.

As part of the mining lease, there is currently a pre-existing EA over the Kidston Site. Discussions with the Queensland Government Department of Environment and Heritage Protection (DEPH) have indicated that the existing EA may require modification for the proposed pump storage project, provided the site continues to meet the requirements of the EA. Genex will seek modifications to the EA as required so as to ensure all planned activities will be in compliance with the existing EA. There is no guarantee that the requested modifications to the EA will be granted.

Ergon Substation on Kidston Site

5.2.14 Summary of the Approvals Pathway

In order for the Company to be able to develop the Kidston Project, a number of regulatory approvals are required. A summary of the key regulatory approvals and actions required to be undertaken are as follows.

Term Lease

KGML currently holds a Term Lease over the land comprising the Kidston Site. The Term Lease will need to be amended as follows:

- the purposes of the Term Lease (set out in condition A78(1)) will need to be amended to include hydroelectricity generation, without the need for any additional bond or security to be provided;
- the Term Lease will expire on 5 May 2018. KGML will need to confirm with the Department of Environment and Heritage Protection (DEHP) that the lease is likely to be 'renewed' (either by replacement or conversion to a higher level of tenure) following expiry; and
- KGML will need to seek technical advice as to whether condition E23 of the Term Lease (which requires that KGML ensures that all activities on the Kidston Site do not pollute or contaminate land or waters) is reasonably achievable. If this is not the case, KGML will need to liaise with the DEHP about amending this condition.

Environmental Authority

The Kidston Gold Mine is the subject of a site-specific environmental authority (EPML00817013) issued by the DEHP on 4 October 2013. KGML will need to review the environmental authority and the plans that sit under it to ensure the Kidston Project can be carried out in compliance with its conditions.

Development Application

KGML will need to make a development application to the Etheridge Shire Council seeking a development for a material change of use for community infrastructure. In addition, KGML will need to assess the Kidston Project against the relevant codes contained within the Planning Scheme for the Shire of Etheridge 2005.

Power supply

KGML will need to obtain approval under the Electricity Act 1994 (Qld) in order to connect and transfer electricity to Powerlink's substation as part of the supply network.

Wises Pit

5.2.15 Project Development Timeline

The Kidston Project planning timetable will be determined by the timing of the Project Feasibility Study, the Kidston Project approval process and the transmission line easement timetable. A more precise timetable will be determined once the Project Feasibility Study determines the optimal transmission route and Genex has had further engagement with Powerlink and other potential transmission line contractors. For planning purposes, the timetable assumes all necessary approvals and studies will be completed to allow a decision to proceed in 2016 at the earliest or at some later date to be determined during the Project Feasibility Study.

Figure 5.8: Indicative Development Timetable

Target Milestones	2Q15	3Q15	4Q15	1H16	2H16	2017	2018
Project Feasibility Study	■	■	■	■			
Environmental Approval Modification		■	■				
Development Application		■	■				
Power Purchase Agreement	■	■	■				
Transmission Easement Negotiations		■	■	■			
Generation Authority Negotiations		■	■	■			
Construction (24 months)					■	■	■

Source: Genex

The Project Feasibility Study will commence in July 2015 and is expected to take 12-18 months to complete.

5.3 OPERATIONAL DYNAMICS

5.3.1 Capital expenditure

Genex has completed a Pre-Feasibility Analysis of the Kidston Project. The analysis relied extensively on advice, inputs, reports and cost estimates provided by a number of third party contractors, consultants and experts. As part of the Pre-Feasibility Analysis, Genex also constructed a detailed financial model in order to assess the economic and technical viability of the Project at a pre-feasibility level

The estimated total capital cost of the Kidston Project comprises 3 principal elements; civil construction costs, electro-mechanical equipment costs, and costs associated with the design and construction of a new 275kV power transmission line from the Kidston Project site to join Powerlink's main 275kV backbone transmission line between Townsville and Cairns. Each element of the total capital cost estimate was reported on at a conceptual design level by third party contractors with deep expertise in their respective fields.

Drawing on these reports and the financial model, the viability of the Kidston Project is currently based on an estimated total capital cost of approximately $282 million, which translates to a cost of approximately $855,000 per MW of installed nameplate generation capacity. The actual final total cost of capital may be different to this estimated sum.

5.3.2 Operating and Maintenance Costs

Hydroelectric power stations have long economic lives, with some plants still in service after 50–100 years. Operating labour costs are also comparatively low, as plants are automated and have few personnel on site during normal operation. Other operating and maintenance costs include expenses associated with hydraulic, cooling

and lubrication fluids, ventilation and periodic plant maintenance.

On the basis of advice received from its project designers and electric-mechanical equipment suppliers, Genex has assumed in its Pre-Feasibility Analysis an operating and maintenance cost of $5.00 per MWh of power generated. Based on this figure, the Kidston Project would have incurred approximately $4 million of operating and maintenance costs had it been in operation over the 12 month period ended 31 March 2015.

5.3.3 Carbon Tax

On 17 July 2014 the Federal Government's carbon tax repeal legislation received royal assent, with the effect that the carbon tax was removed as an added expense for certain baseload and peaking electricity generators. The removal of the carbon tax resulted in a general lowering of electricity prices across the National Electricity Market. As a pumped storage hydro generator, the Kidston Project will be reliant on the price differential between peak and off-peak electricity prices and the ratio between these two figures. Accordingly, the effect of the removal of the carbon tax is positive for the Kidston Project.

5.3.4 Electricity Price Outlook

As a proposed rapid response peaking power generator, the financial success of the Kidston Project will be principally driven by the ability to purchase cheap baseload power daily between the hours of 12.00 am and 6.00 am and the ability to sell peaking power daily at elevated prices between the hours of 1.00 pm and 8.00 pm. Pumping and generating activities outside of these times may also occur.

Provided below are the independent forecast prices prepared by Energetics for generation and pumping for 2016 through to 2023 based on Genex's Fixed Operating Schedule.

Table 5.9: Projection of Future Historical High and Low Electricity Prices ($/MWh)

	2016	2017	2018	2019	2020	2021	2022
Generation Prices	107	117	122	127	132	136	146
Pumping Prices	22	24	30	31	38	42	45

Source: Energetics

Provided below are the actual historical prices from 2007 to 31 March 2015 based on generation and pumping times under Genex's Fixed Operating Schedule.

Table 5.10: Historical High and Low Electricity Prices ($/MWh)

	Last 12 Month	2014	2013	2012	2011	2010	2009	2008	2007
Generation Prices	103	71	60	40	53	39	56	78	110
Pumping Prices	22	22	29	24	22	16	19	21	33

Source: AEMO

Section 6 of this Prospectus discusses a number of key drivers and dynamics which will influence the electricity pricing mix in Queensland over the next few years. These include:

- the competitive generation landscape in Queensland;
- the impact of rising gas prices;
- increasing industrial power demand;
- the impact of renewable energy – solar and wind; and
- the limitations of the Queensland-NSW state interconnector.

In addition to these key factors the following sections describe a number of other areas where the Kidston Project's financial performance may be optimised.

5.3.5 Expansion of Generation Capacity

The overall generation capacity of the Kidston Project may be able to be expanded through a heightening of the upper reservoir surface rim and/or a reshaping of the lower reservoir pit walls. These alternatives will be investigated as part of the Project Feasibility Study and will be dependent on the resultant relationship between additional civil construction costs and enhanced revenues.

5.3.6 Government Grants and Assistance

Genex has not yet investigated in any depth the eligibility of the Kidston Project to receive any government research and development grants, infrastructure grants or any other forms of potential government assistance.

Copperfield Dam

Historical Mining at the Kidston Mine

5.3.7 Third Party Build-Own-Operate of Transmission Line

Genex has recently engaged in discussions with third parties regarding a potential "build-own-operate" arrangement in respect of the Kidston Project's proposed new 275kV transmission line. Should these discussions progress successfully, the potential exists to enhance the internal rate of return of the Kidston Project, in combination with a significant reduction in the overall project capital construction costs.

5.3.8 Optimisation of Project Design

The Kidston Project has been designed at a conceptual level based on the outcome of the Pre-Feasibility Analysis. The potential exists to optimise the Kidston Project design during the Project Feasibility Study in order to lower civil construction costs and expand generation capacity.

5.3.9 Ancillary Income Opportunities

The financial prospects of the Kidston Project have been assessed only on the ability to acquire power from the NEM during off-peak time periods and to sell power into the NEM during peak time periods. Notwithstanding this, there are a number of other potential secondary revenue sources that Genex has not taken into account in its financial assessment. These potential sources derive from:

- **Blackstart capability**
  Approximately 95% of Queensland's power needs are met through the operation of coal fired power stations and gas turbines. These generators have a restricted ability to self-start in the event of a power grid failure. Hydroelectric power plants, on the other hand, are renowned for their ability to offer rapid-response grid "Blackstart" capabilities, that is, the ability to restart other generators and the electricity grid in the event of network shutdown. With potential cyclone events and bushfire threats, the Kidston Project may be able to provide a more reliable insurance policy to the NEM against these and other potential events that might lead to power grid failure or unplanned generator shutdowns.
- **Frequency regulation and voltage control services**
  As a pumped storage power generator, the Kidston Project may have the potential to provide a range of other ancillary services to the NEM, including frequency regulation and voltage control services. Whilst not significant, this may provide an opportunity for additional revenues.

5.4 POWER PURCHASE AND POWER OFFTAKE AGREEMENTS

As part of the Project Feasibility Study, Genex will investigate the potential to negotiate power purchase and power offtake agreements with third party generators and retailers. The success of these negotiations has the potential to lower the overall risk of the Kidston Project (with associated capital funding benefits), to lower the cost of electricity required for pumping, and to potentially secure preferential prices for peaking power sales.

SECTION 6 – INDUSTRY OVERVIEW

6.1 THE NATIONAL ELECTRICITY MARKET

Note: This section draws on and should be read in conjunction with the Independent Consultant's Industry Report prepared by Ernst & Young set out under Section 9 of this Prospectus.

The National Electricity Market (NEM) is the principal wholesale electricity market covering the east coast of Australia (namely Queensland, New South Wales, the Australian Capital Territory and Victoria) plus South Australia and Tasmania.

The NEM is the single longest interconnected electricity network in the world stretching from Port Douglas in Queensland to Port Lincoln in South Australia, a distance of around 5,000km. Figure 6.1 shows the NEM network and its regional coverage.

Operations in the NEM are managed by the Australian Energy Market Operator (AEMO). AEMO's principal responsibility is to ensure power system security within the NEM.

Figure 6.1: The National Electricity Market Regional Network
Source: AEMO

6.2 QUEENSLAND GENERATION

Queensland forms an important part of the NEM. Within Queensland, the electricity network is again separated into different regions. Ross in Northern Queensland, Bouldercombe in Central Queensland and Tarong and South Pine in Southern Queensland. The majority of the State's generation occurs in Central and South Queensland, with North Queensland importing a proportion of its energy needs from Central Queensland.

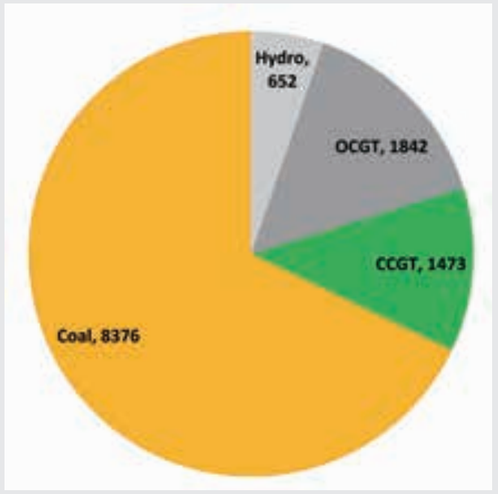
Figure 6.2: Zone based map for Queensland's NEM network
Source: AEMO

In total, Queensland has a maximum nameplate generation capacity of approximately 12,343MW, which is heavily biased towards baseload coal fired generation, complemented by a range of open and combined cycle gas plant and a small amount of hydro generation. Refer to Section 9 for a schedule of generators currently installed in Queensland (to which the Kidston Scheme would be added).

Approximately two-thirds of Queensland's generation capacity comes from the coal-fired power stations, providing Queensland's principal base load supply. The majority of the remaining capacity comes from gas turbines. Gas generators in Queensland operate either as combined cycle gas turbines (CCGTs) or open cycle

gas turbines (OCGTs). CCGTs such as the Darling Downs Power Station are generally used to supply base load and intermediate electricity demand, whilst OCGTs are fast response units designed to respond to sudden power demand spikes.

Figure 6.3: Queensland generation technology mix (total installed MW)



Source: EY

6.3 THE MARKET OUTLOOK FOR GAS FOR ELECTRICITY GENERATION

Based on AEMO forecasts, the growth outlook for the Queensland wholesale gas market is considerably more positive when compared against other NEM regions. This is largely due to the commencement of full-scale LNG export at Gladstone, which is expected to result in an increase in industrial demand.

The discovery and development of significant coal seam gas reserves in Queensland's Bowen and Surat Basins will see natural gas extracted from CSG wells and transported to Gladstone where it will be converted into LNG for international export.

Figure 6.4: Queensland Gas Pipeline

Source: AEMO

The commencement and ramp up of LNG export is expected to lead to gas prices for power generation (especially in Queensland) to escalate above historical levels. This is because there is no domestic gas reservation policy for Eastern Australia, and domestic gas users have to compete with international users for gas supplies. With the expiry of existing gas contracts, the production of electricity from gas generation in Queensland is expected to decrease significantly in the near future. Swanbank E power station, a combined cycle gas turbine that had previously provided approximately 2,000 GWh of energy annually, has been mothballed and its gas onsold to the LNG sector. Other gas fired plant owned by LNG developers, such as the 630 MW Darling Downs Power Station, is expected to substantially reduce electricity production as gas is redirected to higher value customers than the power generators.

Expectations for future gas prices on the east coast are highly variable, but generally there an expectation that there will be a significant increase in gas prices (as seen by power stations) from approximately $3/GJ up to $10/

GJ over the course of the next decade.

Figure 6.5: Gas Price Forecast

Source: Energetics

The increase in local gas prices is expected to have a significant effect on the operation and competitiveness of gas fired generation. For an open cycle generator, with an efficiency of 30%, will see an increase in its operating cost of approximately $12/MWh for every $1/GJ rise in its input gas costs.

In summary, the projected increase in Queensland gas prices is anticipated to impact the wholesale electricity market. These impacts include:

- an increase in the frequency of periods of time in which gas turbines are not operating. This could reduce the flexibility of the regional market to respond to rapid changes in the system; these changes could include generation outages, transmission outages, demand variability or the implementation of varying bidding strategies by large generation portfolios. A reduction in flexibility should increase the likelihood of price volatility and the occurrence of price spikes; and
- higher average prices due to the increase in the short-run marginal cost (SRMC) of gas fired generation and therefore the price of electricity offered to the market. Furthermore, the potential reconfiguration of CCGT generators to OCGTs will reduce the overall capacity installed and available, potentially impacting price.

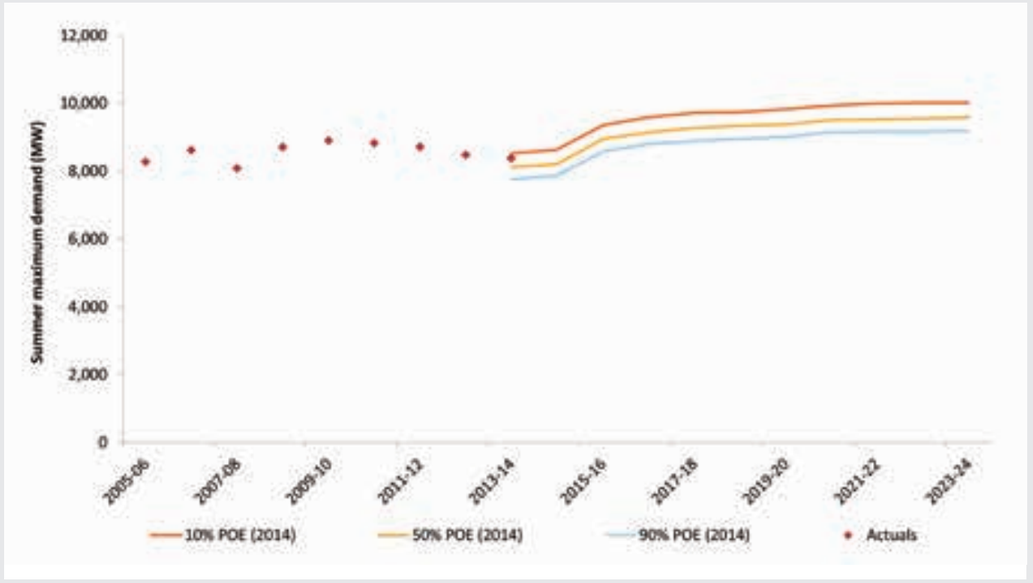
6.4 ELECTRICITY DEMAND OUTLOOK FOR QUEENSLAND

6.4.1 Increasing industrial demand

Figure 6.4 shows the forecast peak demand profile for Queensland. Due to a number of factors, including the development of the new LNG export facilities at Gladstone in Central Queensland, maximum demand in

Queensland is projected by AEMO to rise significantly over the next ten years. AEMO forecast an annual average growth rate in maximum demand of 4% per annum for Queensland from 2013-14 to 2016-17.

Figure 6.6: Queensland peak demand forecast



Source: AEMO

In addition, Section 9 lists several well-known Queensland projects on the horizon that may come to fruition in the next decade.

6.4.2 The Effect of Renewable Energy Generation

Solar PV

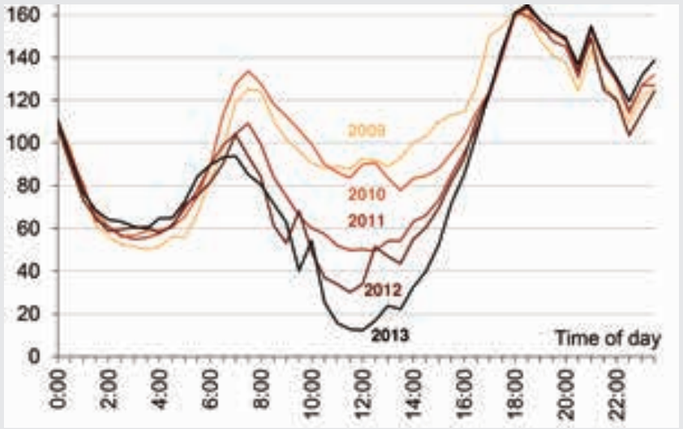
AEMO has forecast a rapid growth in rooftop PV installations in Queensland. Specifically, AEMO has assumed that rooftop PV output will grow at an annual average rate of 27.6%. This growth rate is underpinned by a range of assumptions, including one that mandated feed-in tariffs are expected to remain at 8c/kWh. However, this has not been the case, with the Queensland government terminating the 8c/kWh feed-in tariff from 1 July 2014. The projected solar PV uptake in Queensland is relatively aggressive, and there are a range of circumstances under which uptake may be less significant.

From a peaking power perspective, AEMO's assumed increases in rooftop solar PV do not necessarily reduce expected peak demand, since peak demand in Queensland is expected to shift later into the evening from around 3:00-4:00pm to around 5:30pm- 7:00pm. This time shift should cause the contribution of solar PV during the time of peak demand to reduce over time

Figure 6.7 is an example of a Queensland local network, which shows how peak demand at around 6pm has remained virtually unchanged in the 5 year period between 2009 and 2013. At the same time, overall

consumption from the network fell due to the uptake of rooftop solar. As the chart shows, PV installation at the local, or even regional, level could have an impact on demand during the middle of the day, but would have little to no effect in peak demand periods of morning and evening. This effect is projected to grow in the future.

Figure 6.7: Demand profile in Queensland.
Feeder Load Current (amps) -October



Note: The Current on this electrical line was measurred each year for five consecutive years on the second Tuesday in October.
Source: Grattan Institue, Energex

Wind Energy

The Large-scale Renewable Energy Target (LRET) has resulted in the development of many wind farms across Australia. However, Queensland continues to be seen as a lower resource location for wind projects, and only limited wind capacity is currently installed in the State.

Contribution to Volatility

PSH schemes fit favourably in a portfolio of renewable projects, compensating for the intermittent production from renewable generation. The intermittent nature of wind and solar should displace base load at times and cause more price spikes in the network during other periods when the wind is not blowing and the sun is not shining.

6.4.3 State Interconnectors

Since the NEM is an interconnected market, the supply (and demand) situation in Queensland cannot be considered in isolation of the other regions in the NEM. Competitors in adjoining regions can and do supply load in Queensland via export over the two interconnectors that join Queensland to New South Wales: QNI and Terranora. Together these two interconnectors offer a nominal connection into Queensland of approximately 400MW. However, in practice other network and stability limits mean that under normal circumstances, only 200 - 300MW is able to be delivered from New South Wales into Queensland. Furthermore, owing to the relatively coincident peak demand conditions that occur in Queensland and New South Wales, AEMO has determined that during times of Queensland peak demands, it must be assumed that there is no available support from the rest of the NEM into Queensland. That is, the effective interconnector import into Queensland is zero.

6.5 QUEENSLAND WHOLESALE ELECTRICITY PRICE FORECASTS

Note: This section draws on and should be read in conjunction with the Independent Consultant's Electricity Price Projection Report prepared by Energetics set out under Section 10 of this Prospectus.

6.5.1 The Economic Effect of Wholesale Electricity Prices on the Kidston Project

Electric energy time-shift with a pumped storage hydro power plant involves purchasing inexpensive electric energy, available during periods when wholesale market prices are low, to pump water from a lower reservoir up to another reservoir at a higher elevation. When electricity prices are high, water is released from the upper reservoir through a hydroelectric turbine into the lower reservoir to generate electricity.

The potential incomes from such pumped storage hydro plants can be divided into incomes from price arbitrage on the electricity market (buying electricity during hours with low market prices and selling during hours with higher prices) and incomes from network support and control ancillary services (supporting the electricity market operator in controlling frequency, voltage and network loading).

The economic and technical viability of the Kidston Project will be largely reliant on the difference between the pumping energy cost (power consumption) and the hydro power selling price (power generation) over time as price arbitrage revenues will be one of the key measures of the potential profitability of the Project. In order to operate profitably, the price differential between pumping energy cost (the off-peak wholesale electricity price) and the power selling price (the peak wholesale electricity price) needs to be large enough to cover as a minimum both the energy losses in the process as well as operational and capital costs.

Wholesale electricity prices are impacted by movements in underlying fuel costs. Electricity generation in Queensland exhibits a comparatively low variable cost baseload generation (mainly coal-fired generation) for a large amount of capacity and then has sharply rising costs when gas-fired generation capacity is required. Peak wholesale electricity prices in Queensland are therefore particularly sensitive to gas prices with gas price projections underpinning the expected future prices in the wholesale electricity market.

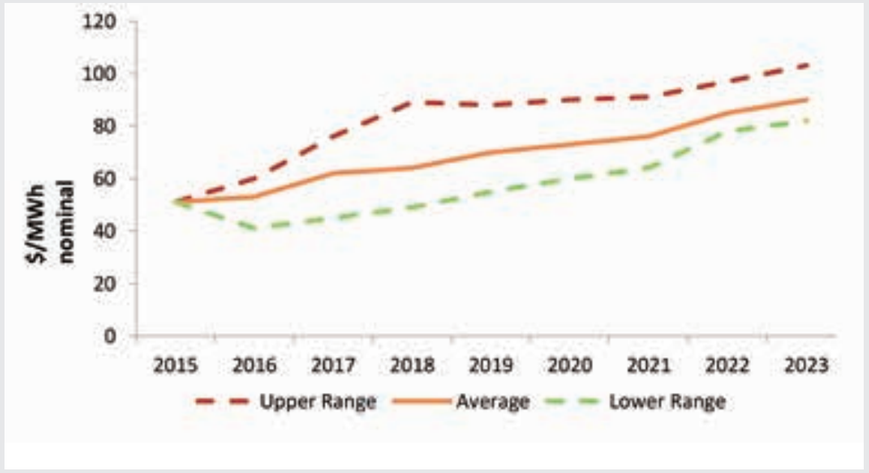
Eldridge Pit

6.5.2 Queensland Wholesale Electricity Price Projection

Figure 6.8 below shows a projection of the maximum, minimum and average wholesale electricity prices for Queensland for the period from 2015 to 2023 prepared by Energetics.

The data used to determine the projection was derived from a number of different sources. The outlook modelled projected fuel costs and variable operating costs to each generation technology and applied a system load curve and merit order dispatch to estimate likely changes in wholesale market prices.

Figure 6.8: Projected wholesale electricity prices in Queensland



Source: Energetics 2015

Financial year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Upper range	51	60	76	78	88	90	91	97	103
Average	51	53	62	64	70	73	76	85	90
Lower range	51	41	45	49	55	60	64	78	82

Source: Energetics 2015

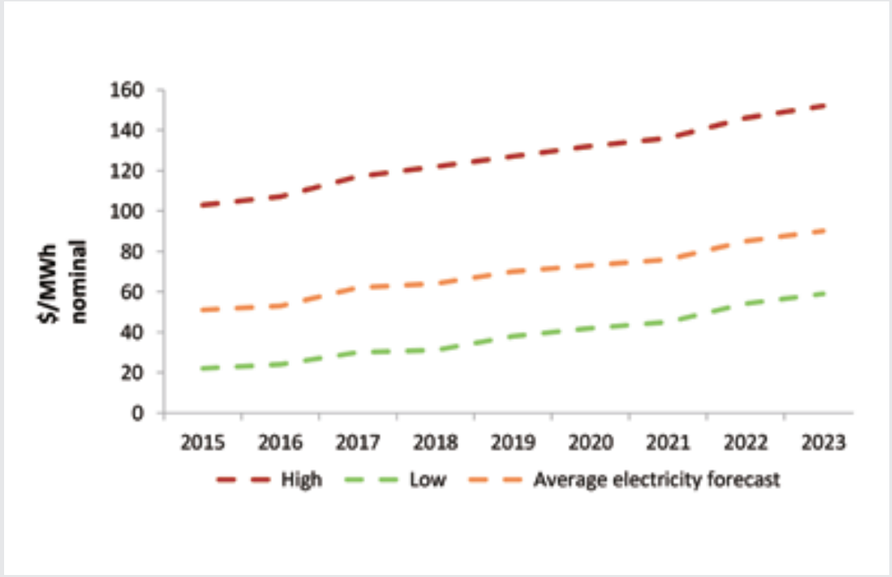
In determining its price projections, Energetics also considered a number of other factors which could bear on future prices, including:

- the demand growth due to the development of the LNG production industry in Curtis Island and its impact on supply adequacy;
- the share of renewable energy generation;
- different underlying gas fuel cost projections; and
- the timing of connection and variable operating cost of new gas-fired power generation capacity.

6.5.3 Queensland Peak and Off-peak Wholesale Electricity Price Projection

As a rapid response peaking power PSH electricity generator, the economic and technical viability of the Kidston Project will be dependent on the ability to purchase cheap baseload power for pumping during overnight off-peak demand periods, and to sell peaking power at elevated prices during peak demand periods.

Figure 6.9: Queensland peak (generation) and off-peak (pumping) price differential projections (in nominal $ per MWh)



Source: Energetics 2015

Financial year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Peak	103	107	117	122	127	132	136	146	152
Off-peak	22	24	30	31	38	42	45	54	59
Average electricity forecast	51	53	62	64	70	73	76	85	90

Source: Energetics 2015

In interpreting the projection it should be noted that high and low prices on the electricity spot market are becoming increasingly dependent on the contribution of intermittent renewable energy sources to the overall power generation mix. For the Queensland market where solar power has gained ground this is particularly tangible: solar peak production coincides well with peak system load and has hence shifted the traditional peak time towards late afternoon.

SECTION 6 - INDUSTRY OVERVIEW

The Australian Parliament is currently negotiating changes to the Renewable Energy Target. These changes may change the future mix of electricity generation during the forecast period, and therefore wholesale electricity prices.

A number of market analysts have suggested more extreme price volatility in the near to medium term future with less predictable patterns of high and low prices with the uptake and integration of more intermittent and less predictable renewable energy sources. On the other hand, peak prices could be impacted by the possible future introduction of a Demand Response Mechanism into the NEM.

In summary, the projection in Figure 6.9 shows a gradual increase in the future peak to off-peak price differential in Queensland. A number of underlying factors can explain this trend:

- increasing gas prices and hence operating cost of gas-peaking plants;
- relatively lower increase of coal prices;
- displacement of gas-fired combined cycle gas turbines (CCGT) by coal fired power stations for baseload power generation and conversion of CCGT to Open Cycle Gas Turbine.

The Energetics model does not include any simulation of possible changes in volatility. In reality, frequency and magnitude of fluctuations in prices are likely to increase over the years with:

- increasing intermittency due to further integration of renewable energy generation;
- the reduction in the reserve margin if no new generation capacity is built and commissioned in time in Queensland.

This expected increase in price volatility will assist the potential economic and technical viability of the Kidston Project due to the relationship between volatility and revenue from spot price arbitrage.

SECTION 7 - DIRECTORS AND MANAGEMENT

7.1 DIRECTORS

Dr. Ralph Craven, Non-Executive Chairman

BE PhD, FIEAust ,FIPENZ, FAICD

Ralph is an electricity sector specialist with respected credentials in energy, transmission infrastructure and power generation and electricity retailing. Ralph has a number of public company roles including non-executive director at Senex Energy Limited and AusNet Services Limited. Ralph has also held senior executive positions with energy companies in Australia and New Zealand. He was formerly Chief Executive Officer of Transpower New Zealand Ltd, Chief Executive Officer of Ergon Energy Corporation Limited, executive director with NRG Asia-Pacific and General Manager Power Marketing and Development with Shell Coal Pty Ltd. His previous roles also include Chairman of Ergon Energy Corporation Limited and Chairman of Tully Sugar Limited. Ralph was also Deputy Chairman of coal seam gas company Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina).

Mr. Alan du Mée, Non-Executive Director

MSc., MBA, FAICD, FAIM, MIIE

Alan has deep operational experience in power generation operations and development. He was Chief Executive Officer of Tarong Energy, a major Queensland power company which is now part of Stanwell Corporation Limited. While at Tarong Energy, Alan was responsible for the development of Tarong North power station in Queensland, the Starfish Hill windfarm in South Australia and the sale of a 50% of the Tarong North power station to a Japanese consortium. He also had responsibility for the 500MW Wivenhoe pumped storage plant, the second largest hydro pumped storage plant in Australia. Alan is a past Chairman of the Australian National Generators Forum and a past director of BHP Engineering.

Alan is also a director of A Solid Foundation Pty Limited and has been engaged by Glencore Xstrata to assist it with its clean coal development strategy.

Mr. Simon Kidston, Executive Director

BCom, GradDipAppFin, MAICD

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 over 20 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, negotiating strategic relationships and acquisitions. He has a Bachelor of Commerce degree and is a Member of the Australian Institute of Company Directors.

Mr. Michael Addison, Managing Director

B.Sc.Eng. (Civil), M.Phil. (Oxon), FAIM, MAICD

Michael commenced his career as a water engineer, specialising in large dam, spillway and water reticulation systems design before transitioning to investment banking in the mid 1980s, where he spent a number of years engaged as a corporate finance specialist with three globally recognised investment banks.

Michael has 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 expertise in the management and operation of listed companies and an intimate working knowledge of the regulatory, legal and governance environments in which they operate. More recently, Michael has been actively involved with a number of ASX listed Australian resources companies, having founded both Endocoal Limited and Carabella Resources Limited.

Michael is a civil engineer, a former Rhodes Scholar, and has an Oxford University postgraduate degree in management studies. He is a Fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

Michael is a founding Director and Shareholder of Genex.

Mr. Ben Guo, Finance Director

BCom, Finance (Hons 1st) and Accounting

Ben is a founding Director and Shareholder of Genex. Previously, Ben has had over 10 years management experience in Australia including holding senior financial roles at Helmsec Global Capital Limited, Carabella Resources Limited and Estrella Resources Limited. Ben has also worked at PwC Corporate Finance and Ernst and Young.

Mr. Justin Clyne, Company Secretary

LLM (UNSW), ACIS, AGIA

Justin was admitted as a Solicitor of the Supreme Court of New South Wales and the High Court of Australia in 1996 before gaining admission as a Barrister in 1998. Justin has 15 years of experience in the legal profession acting for a number of Australia's largest corporations, initially in the areas of corporate and construction law, before developing an interest in mining investment and research.

Since 2006, Justin has been a full time company secretary for a number of listed and unlisted mining, oil and gas and industrial companies.

Justin has significant experience and knowledge of the Corporations Act, the ASX Listing Rules and general corporate regulatory requirements. He holds a Master of Laws in International Law from the University of New South Wales and is also a qualified Chartered Company Secretary.

Justin is also a director of AusTex Oil Limited (ASX: AOK, OTCQX: ATXDY) and Fitzroy River Corporation Limited (ASX: FZR).

SECTION 8 - FINANCIAL INFORMATION

8.1 INTRODUCTION

This section of the Prospectus contains a summary of actual historical and pro-forma financial information ("Financial Information") of Genex that the Directors consider relevant to potential investors. All Financial Information presented in this section should be read in conjunction with the summary of significant accounting policies set out in Section 8.5, the Investigating Accountant's Report set out in Section 12 and other information contained in this Prospectus.

Genex Power Limited was incorporated in Australia on 15 July 2011 and on 8 August 2013, changed its name from Allied Resources Limited to Genex Power Limited. The Genex group includes two wholly owned subsidiaries, Genex (Kidston) Pty Limited and Kidston Gold Mines Limited.

The consolidated financial statements of Genex Power Limited have been subject to an audit for the periods to 30 April 2014, 30 June 2014 and 31 December 2014 by William Buck.

The Financial Information comprises the following:

- pro-forma historical statements of comprehensive income for the years ended 31 December 2012, 31 December 2013 and 31 December 2014; and
- historical and pro-forma statement of financial position as at 31 December 2014.

8.2 PRO-FORMA HISTORICAL STATEMENTS OF COMPREHENSIVE INCOME

The pro-forma historical statements of comprehensive income have been prepared by the Directors for the purpose of showing the historical performance of Genex based on available historical financial information for each of the entities comprising the consolidated Genex group: Genex Power Limited, Genex (Kidston) Pty Limited and Kidston Gold Mines Limited. The pro-forma statements of comprehensive income should be read in conjunction with the accompanying notes and Section 8.5 of this Prospectus. The pro-forma historical statements of comprehensive income have been presented based on the aggregation of the following:

- historical financial information for Genex Power Limited and Genex (Kidston) Pty Limited contained in Genex Power Limited's audited financial statements for the year ended 30 June 2014 and for the six months ended 31 December 2014. Genex did not begin incurring site maintenance costs in relation to the Kidston Project until the start of the calendar year 2015; and
- the special purpose financial report of Kidston Gold Mines Limited for the year ended 31 December 2013. Genex acquired Kidston Gold Mines Limited on 4 June 2014. Kidston Gold Mines Limited had previously traded as a subsidiary of Barrick Gold Corporation. Historical results of Kidston Gold Mines Limited prior to its acquisition by Genex reflect management of the company by Barrick Gold Corporation. These results do not necessarily provide a guide to management of Kidston Gold Mines Limited's operations by Genex. Differences are expected to be material and are discussed further below.

The following pro-forma historical statements of comprehensive income are for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

Pro-forma Historical Statements of Comprehensive Income

	Year ended 31 December 2012 ($000)	Year ended 31 December 2013 ($000)	Year ended 31 December 2014 ($000)
Revenue and other income	35	23	17
Site costs	(1,008)	(1,732)	(700)
Finance costs	(743)	(989)	-
Salary expenses	-	-	(513)
Professional services	-	-	(428)
Other administrative overheads	(92)	(176)	(243)
Loss before tax	**(1,808)**	**(2,874)**	**(1,867)**
Income tax expense	-	-	(2)
Total comprehensive loss for the period	**(1,808)**	**(2,874)**	**(1,869)**

8.2.1 Management discusssion and analysis of pro-forma historical statements of comprehensive income

As at 31 December 2014, the Kidston Site had been extensively rehabiliated since the cessation of mining operations, and the site is now the subject of an ongoing environmental maintenance program.

Since taking over responsibility for site maintenance in January 2015, Genex has made a number of changes to the site management and maintenance program to ensure that the existing Environmental Authority over the site remains in good standing. The changes include the appointment of a new site management contractor, a new site senior executive and a new consultant environmental officer.

Under its existing site Environmental Authority, Genex has an obligation to continue its site management and maintenance program on an ongoing basis. The current year estimate for all site costs, including site maintenance cost is approximately $750,000

Ergon Substation on Kidston Site

8.3 HISTORICAL AND PRO-FORMA STATEMENTS OF FINANCIAL POSITION

The historical and pro-forma statements of financial position set out below have been prepared to illustrate the financial position of the Company following certain transactions that are proposed to take place after the completion of the Offer and include only those transactions which have been contracted.

The pro-forma statement of financial position as at 31 December 2014 has been prepared on the basis of the successful completion of the Offer as detailed in Section 2 of this Prospectus. The pro-forma statement of financial position as at 31 December 2014 should be read in conjunction with the accompanying notes set below and Section 8.5 of this Prospectus.

The pro-forma statement of financial position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Offer.

Historical and Pro-Forma Statement of Financial Position

	As at 31 December 2014 ($000) Historical	Note	As at 31 December 2014 ($000) Pro-forma
Current assets			
Cash and cash equivalents	754	1	11,723
Trade and other receivables	18		18
Prepayments	29		29
Total current assets	**801**		**11,770**
Non-current assets			
Other assets	3,804		3,804
Goodwill	3,804		3,804
Total non-current assets	**7,608**		**7,608**
Total assets	**8,409**		**19,378**
Current liabilities			
Other payables	3,858		3,858
Loan payable	15		15
Provisions	234		234
Borrowings	-	2	-
Total current liabilities	4,107		4,107
Non-current liabilities			
Provisions	3,570		3,570
Total non-current liabilities	**3,570**		**3,570**
Total liabilities	**7,677**		**7,677**
Net assets	**732**		**11,701**
Equity			
Share capital	2,600	3	12,850
Option reserves	1	4	1,381
Accumulated losses	(1,869)	5	(2,530)
Total equity	**732**		**11,701**

8.3.1 Management discussion and analysis of the historical statement of financial position

Other assets

Other assets relate to an Environmental Bond which is held by the State of Queensland for security and compliance with the requirements of the Mineral Resources Act 1989 and the Environmental Protection Act 1994. The Environmental Bond is lodged on behalf of Kidston Gold Mines Limited and will be released upon satisfactory restoration and rehabilitation of the mine site.

Goodwill

Goodwill relates to the 4 June 2014 acquisition of Kidston Gold Mines Limited by Genex (Kidston) Pty Limited for total consideration of $3,804,312.

Other payables

Other payables relate primarily to a bond release payable under the terms of the Kidston Gold Mines Limited share sale agreement. The Company is required to pay an amount of $3,804,311 to procure from Barrick Gold Corporation financial guarantees made to the State of Queensland on behalf of Kidston Gold Mines Limited.

Provisions

Provisions relate to restoration and rehabilitation costs for Kidston Gold Mines Limited and, as discussed further in Section 8.5, reflect the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date.

8.3.2 Notes to the pro-forma statement of financial position

Note 1 – Cash & cash equivalents

A reconciliation of the cash and cash equivalents balance contained in the pro-forma statement of financial position is as follows:

	Note	As at 31 December 2014 ($000)
Audited balance as at 31 December 2014		754
Proceeds of the Note	2	3,789
Proceeds of the Offer	3	8,000
Cost of the Offer (cash settled)	3, 4	(820)
Pro-forma balance as at 31 December 2014		**11,723**

Note 2 – Current borrowings

A reconciliation of the current borrowings balance contained in the pro-forma statement of financial position is as follows:

	Note	As at 31 December 2014 ($000)
Audited balance as at 31 December 2014		-
Issue of the Note	1	3,789
Conversion of the Note	3	(3,789)
Pro-forma balance as at 31 December 2014		**-**

Note 3 – Share capital

A reconciliation of the share capital balance contained in the pro-forma statement of financial position is as follows:

	Note	As at 31 December 2014	
		($000)	Number of shares
Audited balance as at 31 December 2014		2,600	94,715,000
Conversion of the Note	2	3,789	23,678,750
Shares issued under the Offer	1	8,000	40,000,000
Cost of the Offer (Loyalty Options)	4	(1,380)	-
Cost of the Offer (taken to equity)	1	(159)	-
Pro-forma balance as at 31 December 2014		**12,850**	**158,393,750**

Note 4 – Option Reserves

A reconciliation of option reserves contained in the pro-forma statement of financial position is as follows:

	Note	As at 31 December 2014 ($000)
Audited balance as at 31 December 2014		1
Loyalty Option Reserve	1	1,380
Pro-forma balance as at 31 December 2014		**1,381**

Note 5 – Accumulated losses

A reconciliation of accumulated losses contained in the pro-forma statement of financial position is as follows:

	Note	As at 31 December 2014 ($000)
Audited balance as at 31 December 2014		(1,869)
Costs of the Offer (expensed)	1	(661)
Pro-forma balance as at 31 December 2014		**(2,530)**

8.4 HISTORICAL AND PRO-FORMA STATEMENTS OF FINANCIAL POSITION – ASSUMPTIONS AND PRO-FORMA TRANSACTIONS

The pro-forma statement of financial position has been based on Genex's statement of financial position as at 31 December 2014, as set out in Section 8.3 of the Prospectus, adjusted for the following events and transactions and on the assumption that they had occurred as at 31 December 2014:

- As set out in Section 13 of this Prospectus, on 21 April 2015, the Company and Zhefu Hydropower International Engineering Corporation Limited (Zhefu) entered into a Convertible Note Agreement (Convertible Note Agreement) pursuant to which Zhefu agreed to subscribe for a Convertible Note issued by the Company (Note). The Note was issued for the purpose of raising $3,788,600 (Principal Sum). A summary of the terms of the Note are set out in Section 13 of this Prospectus.
  The Note will automatically convert to ordinary issued shares in Genex upon satisfaction of all conditions to admission of Genex to the official list of the ASX and quotation of the Shares, unless already redeemed or converted under the terms of the Convertible Note Agreement. The Note will convert to ordinary issued shares in Genex at the rate of one Share for each $0.16 of Principal Sum, which equates to 23,678,750 ordinary shares.
- It has been assumed that under the Offer, 40,000,000 new fully paid ordinary shares will be issued to Applicants under this Prospectus at an Offer Price of $0.20 per Share to raise a total of $8,000,000 before costs of the Offer.
- It has been assumed that under the Offer, 20,000,000 new Loyalty Options will be issued to Applicants under

this Prospectus for no consideration. A summary of the terms of the Loyalty Options is set out in Section 17 of this Prospectus. The pro-forma statement of financial position assumes that 100% of Loyalty Options will vest. Using the Black Scholes Model, the fair value of a Loyalty Option (assuming vesting) is $0.069 based on the following valuation parameters:

Underlying share price	$0.20	Option life	2 years
Exercise price	$0.20	Expected dividends	Nil
Expected volatility	60%	Risk free interest rate	2.5%

- Costs of the Offer (including brokerage, legal, advisory, accounting, listing and administrative fees, marketing and printing) plus the fair value of Loyalty Options have been offset directly against equity or retained earnings as follows:

Costs of the Offer

Offer Expenses and Listing costs (exclusive of GST)	($000)
Lead Manager equity raising fees	480
Legal & Title Reporting Solicitor fees	83
Investigating Accountant's fees	20
Audit fees	20
Independent Consultant fees	25
Printing, marketing, public relations and distributions	20
ASX listing fees, ASIC lodgement fees and Share Registry fees	112
Other expenses	60
Offer Expenses (cash settled)	**820**
Loyalty Bonus Options	1,380
Total Offer Expenses	**2,200**

- The costs of the Offer are either offset against equity or expensed on the basis of the extent to which the costs incurred relate to existing ordinary shares, new ordinary shares or to all ordinary shares subsequent to the Offer. Costs in relation to the raising of new equity are offset against equity whereas costs in relation to existing equity are expensed. Costs relating to both new and existing ordinary shares are apportioned.

8.5 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"), as appropriate for profit oriented entities.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genex Power Limited as at 31 December 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which Genex has control. Genex controls an entity when it 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 Genex. 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 Genex.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is

recognised directly in equity attributable to the parent.

Cash and cash equivalents

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

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed

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

A provision for site restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

Management assesses its provision for environmental rehabilitation and restoration on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalised as soon as the relevant information is available, within a period not to exceed 12 months from the acquisition date with retroactive restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred.

When the amount of purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. When the fair value of contingent consideration as at the date of acquisition is finalised before the purchase price allocation is finalised, the adjustment is allocated to the identifiable assets and liabilities acquired. Subsequent changes to the estimated fair value of contingent consideration are recorded in the consolidated statement of income.

When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. If the fair value attributable to the company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the consolidated statement of income.

Wises Pit

SECTION 9 – INDEPENDENT CONSULTANT'S INDUSTRY REPORT

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EY
Building a better working world

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Part 1 – Industry Expert's Report

The Directors
Genex Power Limited
Level 11, 2 Bligh Street
Sydney NSW 2000

6 May 2015

Dear Directors

Industry Expert's report in relation to the proposed pumped storage hydro project located at Kidston, Queensland

Background

In accordance with our agreement dated 31 March 2015, (the "Engagement Agreement"), Ernst & Young Transaction Advisory Services Limited ("we" or "EY") has been engaged by Genex Power Limited ("Genex", "you" or the "Client") to provide a fact based overview of the industry and market environment in which the proposed Kidston pumped storage hydro ("KPSH") project (the "Project") would operate and a technical description of the Project. This includes an overview of the National Electricity Market ("NEM").

Basis of this Report

This report provides a fact based summary of factors that would affect the Project. These include:

Queensland Energy landscape

Current supply and demand situation in Queensland

Market Developments impacting Queensland

Operation of Kidston in the Market

Queensland daily generation and load profiles

Future changes impacting on Queensland generators

Ownership changes in the Queensland energy market

The need for price volatility for peaking generators to function profitably

Other matters

In preparing this Industry Expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to Regulatory Guide 111 *Content of experts reports and* Regulatory Guide 112 *Independence of experts.*

This Industry Expert's report constitutes general financial product advice only. In preparing this report we have sought to provide a factual overview and consideration of the challenges and opportunities for the KPSH Project within the NEM and Queensland particularly. We have not provided any consideration or opinion on the potential feasibility, success or profitability of the project. The decision to invest in the Genex IPO is a matter for individual investors. Potential investors should consider this advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. This report should be considered in conjunction with, and not independently of, the information set out in the IPO prospectus prepared by the directors and management of Genex.

Our report was prepared as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with, and not independently of information set out in the remainder of this report, including the appendices.

Ernst & Young Transaction Advisory Services Limited has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Stuart Bright
Director and Representative

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Part 2 – Financial Services Guide

1. Introduction

1.1. Background

Genex is proposing to construct and commission a new PSH plant at Kidston in northern Queensland to participate in the NEM.

PSH plants purchase electricity when the demand for wholesale electricity and electricity market prices are low in order to pump water from a lower water storage to a higher water storage. Then at times of high demand and higher electricity prices, the water in the upper reservoir is released and flows through a turbine, converting the potential energy in the higher water storage into electricity generation which is sold into the NEM. PSH plants profit from the difference between the cost of pumping and revenue from generating. PSH plant is capable of being designed to start rapidly in order to take advantage of high prices as soon as they occur. This gives PSH the opportunity to profit from wholesale pool price volatility.

The Kidston PSH project ("KPSH") proposes to convert two rehabilitated pits from a closed gold mine into an upper and a lower storage pond (Wises Pit and Eldridge Pit respectively). In addition to these two pits, the project comprises other existing infrastructure and resources including the water in the pits, electricity distribution infrastructure, Copperfield dam and access roads.

The proposed year of commissioning of the project is 2018. This Industry Expert's report provides an overview of the Queensland energy landscape, focusing on each of the key market factors that may affect the viability of new generating plant (and in particular, a PSH project in northern Queensland).

2. Scope of the Industry Expert's report

2.1. Scope of the Industry Expert's report

The scope of this Industry Expert's report, as agreed with Genex, extends to the following points of focus:

- Queensland Energy landscape
- Current supply and demand situation in Queensland
- Market Developments impacting Queensland
- Operation of Kidston in the Market
- Queensland daily generation and load profiles
- Future changes impacting on Queensland generators
- Ownership changes in the Queensland energy market
- The need for price volatility for peaking generators to function profitably

This Industry Expert's report provides a factual based overview of the industry and market environment in which the project will compete. The report does not act as a substitute in any way for the technical report(s) provided by engineering firms engaged with Genex regarding hydroelectric generating stations, power transmission or any other electrical equipment design and costing.

2.2. Independence

Prior to accepting this engagement, we considered our independence with respect to Genex with reference to ASIC Regulatory Guide 112 *Independence of experts*. In our opinion, we are independent of Genex.

EY has not been involved in the Due Diligence Committee ("DDC"), the preparation of the Prospectus nor any process prescribed by the DDC to achieve its objectives.

2.3. Limitations and reliance on information

We have considered a number of sources of information in preparing our report. These sources of information are detailed in Appendix B – Sources of information.

In particular, we note that in considering the ongoing evolution of the Queensland energy market, we have used the reports prepared by the Australian Energy Market Operator ("AEMO") in forecasting demand growth scenarios for Queensland energy consumers (and other regions of the NEM). We have not performed any demand studies of our own and have not formed our own opinions in relation to the reasonableness of the AEMO National Electricity Forecasting Report[1] ("NEFR") which is the key document that we have referred to in this report.

Information provided to us from Genex for the preparation of our report has been evaluated through analysis and enquiry. We also held discussions with Genex in relation to the proposed connection arrangements and operations of the Project. However, in preparing our report we have not attempted to confirm the reasonableness of this information.

[1] AEMO, "National Electricity Forecasting Report", June 2014.
http://www.aemo.com.au/Electricity/Planning/Forecasting/~/media/Files/Other/planning/NEFR/2014/2014%20Updates/NEFR_final_published_Nov_2014.ashx

The statements and opinions given in this Industry Expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A – *Statement of qualifications and declarations* of this report.

Our assessment of the proposed project is based on technical, market and other conditions prevailing as at the date of this Industry Expert's report. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, any views expressed or implied could be different.

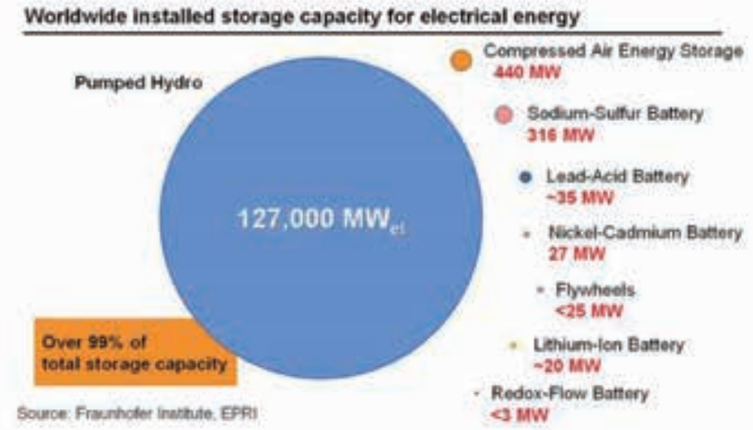
We provided draft copies of this Industry Expert's report to the directors and management of Genex for their comments as to factual accuracy. Amendments made to this Industry Expert's report as a result of this review by the directors and management of Genex have not changed the conclusions reached by us.

3. Technical Description

3.1. Overview of PSH schemes

PSH schemes are a widespread and mature technology used worldwide to provide a reliable and efficient means for matching supply and demand in electricity networks. Figure 1 shows that the capacity of energy storage provided by PSH schemes presently dominates all other categories of storage. It is the most efficient and effective form of large scale energy storage. In the United States, approximately two percent of generation capacity is pumped storage. This is typical of developed countries.

Figure 1: Worldwide Installed Storage Capacity[2]



As stated by the US Department of Energy National Renewable Energy Laboratory, the most important features to consider in deciding where to build a pumped storage hydro station are:

> ***Pumped-storage hydropower plants often make use of an existing river or lake, avoiding the need for–and cost of–construction of a separate reservoir. This is called an open-cycle PSH plant.***
>
> ***In an instance in which a suitable natural water body is not available for use as one of the reservoirs, both the upper reservoir and the lower reservoir must be constructed. This type of construction is known as a closed-cycle plant, in as much as it has minimal interaction with natural water bodies. In a typical pumped storage scheme, the water is cycled between the two***

[2] Electric Power Research Institute (EPRI). "Electricity Energy Storage Technology Options A White Paper Primer on Applications, Costs, and Benefits", December 2010.
http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?productId=000000000001022261

storages and there is no need for inflows except to allow for evaporation from the storages. The lower and upper ponds are operated so as to avoid overflowing and spilling water.

The energy generating capacity of a pumped storage scheme is set by two primary factors:

- *The water storage capacity of the lesser of the two water storage volumes*
- *The net head determined by the elevation of the two water storages.*

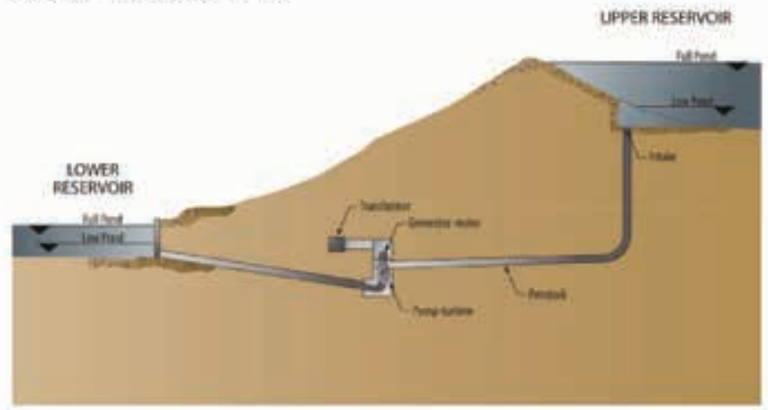
The energy that can be cycled in a PSH scheme is directly proportional to the water storage capacity (of the lesser pond) and directly proportional to the net head[3].

Figure 2 depicts a cross-sectional representation of a PSH scheme. There are three main components:

- Upper pond: The upper pond is a reservoir, which may be defined as a "closed" or "open" system. A "closed" system relies solely on the lower pond or direct rainfall as the source of water, whereas an "open" system may also be fed by inflows from a body of water such as a dammed river.
- Lower pond: The lower pond can also be either a closed or open system having multiple sources for the water reserves.
- The structures of lower and upper ponds may be at any elevation, provided that the difference in water level in the ponds is at least equal to the minimum operating head.
- Generator/Pump: The generator and pumping unit is used to convert the potential energy of the water released from the upper pond into electrical energy to be exported into the electrical grid. The water in the lower pond is then pumped, using electrical energy from the grid, back up to the upper pond to be used for generation at a later time. To store as much energy as possible for a given water volume the head should be as large as possible, to increase the potential energy of the water in the upper pond relative to the lower pond. However the head for a PSH scheme can be as low as 100 metres and still be economic, provided the storage volumes and rates of flow of water can be accommodated.

[3] "Head" refers to the height difference between the upper and lower storage ponds. The head directly influences the generation potential of a hydro plant, as the force responsible for hydro generation is gravity, and a higher/greater head will produce more kinetic energy for an equivalent volume of water than a smaller/lower head.

Figure 2: Cross section of a PSH scheme[4]



3.2. PSH schemes in Australia

The US has about 21.5 GW of pumped storage out of about 1,000 GW of installed capacity, or 2%.

There are three PSH plants in Australia. The three PSH schemes operating in the NEM are summarised in Table 1, with total PSH capacity of 1340 MW, or approximately 3% of installed capacity.

Table 1: Australian PSH schemes

Scheme Name	Location	Capacity (MW)	Year Commissioned	Registered Owner
Tumut 3	Snowy Mountains	600 MW[5]	1973	Snowy Hydro Limited
Shoalhaven	Southern New South Wales	240 MW	1977	Origin Energy Electricity Limited
Wivenhoe	South East Queensland	500 MW	1984	CS Energy Limited

3.2.1. Tumut 3

Tumut 3 is an example of an open system which can run either as a conventional hydro on inflows to the upper storage or as a pumped storage scheme recycling water from the lower storage. Aside from the additional flexibility from being able to generate from either pumped water or natural inflows, the operating principles of closed or open PSH are the same.

Jounama pond is the smaller lower pond for Tumut 3. During drought periods, overflows of Jounama pond are managed to assist in recycling water to increase the proportion of pumped

[4] HDR, "Pumped Storage: 'An Unheralded Multiplier for Renewable Energy", 2009.
https://www.hdrinc.com/sites/all/files/content/articles/article-files/2618-pumped-storage-an-unheralded-multiplier-for-renewable-power.pdf
[5] Snowy Hydro, " Tumut 3 Micro Hydro Generators", 2012
http://www.snowyhydro.com.au/energy/hydro/mini-hydro-developments/mini-hydro-tumut-3-micro-hydro-generators/

storageoperation relative to normal hydro operations and thus ensure that production during peak demand can be maintained, even with little inflow (Snowy Hydro, 2006)[6].

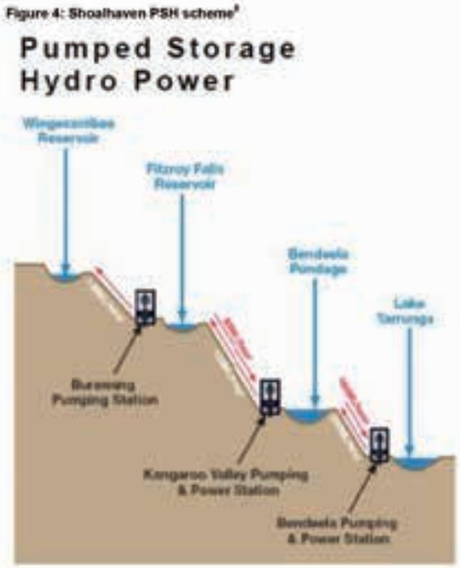
Figure 3: Tumut 3 PSH scheme[7]

3.2.2. Shoalhaven

The layout for the Shoalhaven scheme is shown in Figure 4. This is a multi-stage PSH scheme. The lowest storage, Lake Yarrunga, has been formed by placing a dam, Tallowa Dam, across a valley. A smaller upper pond, Bendeela Pondage, has been constructed at higher elevation. The 80 MW Bendeela pumping and power station is situated at the base of a water pipeline, or penstock, joining the two storages. In addition, the 160 MW Kangaroo Valley pumping and generation facility uses the Bendeela Pondage as the lower reservoir and the Fitzroy Falls Reservoir as the upper pond. By arranging these PSH schemes in this manner, this development can operate both pumping and generating stations independently.

[6] Snowy Hydro, "Community Service Announcement - Snowy Scheme Operations at Talbingo Reservoir & Jounama Pondage", 2006, (accessed 29/05/2014) http://www.snowyhydro.com.au/wp-content/uploads/2011/11/SnowyHydro_MR_125.pdf
[7] Tumut 3 power station; Google earth

Figure 4: Shoalhaven PSH scheme[8]



3.2.3. Wivenhoe

The Wivenhoe PSH scheme is an example of a project for which the upper reservoir, Splityard Creek Dam, has no natural inflows and is reliant on the lower pond of Wivenhoe Dam. The scheme consists of two 250 MW units which can run at full capacity for approximately 10 hours before exhausting the water reserves in the upper pond. This scheme can also provide black-start support in the event of a major blackout in southern Queensland. In this situation, the turbine guide vanes are opened allowing the turbine to rotate and generate up to 500 MW to restore energy to the grid.

Figure 5: Wivenhoe Splityard Creek Generation/Pumping Station[9]

[8] http://www.energystorageexchange.org/projects/339
[9] CS Energy, "Wivenhoe Power Station", 2014, http://www.csenergy.com.au/content-%28168%29-wivenhoe.htm

3.3. The Kidston Pumped Storage Hydro Project

Genex has proposed to develop a PSH project at Kidston in Far North Queensland. KPSH would convert rehabilitated pits at the old Kidston gold mine located approximately 270 km west of Townsville.

Figure 6: Location of the Kidston Project[10]

The proposed KPSH site has two large pits 400m apart, a large head differential (up to 180 metres) available by managing water levels in the ponds, an existing substation, a fresh water supply dam and distribution infrastructure.

[10] Genex Power Limited

Figure 7: The KPSH Project Site[11]

3.3.1. Location in the NEM

The KPSH project is located in the North Queensland region of the Powerlink transmission network, as seen in Figure 8.

[11] Genex Power Limited

Figure 8: National Transmission Network Development Plan Map[12]

Figure 8 shows that the North Queensland region is a large importer of energy from the Central Queensland region. For the latest available year of data, there was not at any time any export from North Queensland to the south. This is due to growing demand in North Queensland and low cost coal fired generation being available in Central Queensland. There have also been several large coal mine developments proposed for the Galilee Basin, and possible expansion of existing mines and upstream LNG processing load in the Bowen Basin. These may increase the power demand in North Queensland in the future.

The 2014 Powerlink Annual Planning Report ("APR") states, in relation to flows into North Queensland from the south that: *"Maximum transfer capability may be set by thermal ratings associated with an outage of a Stanwell to Broadsound 275kV circuit, under certain prevailing ambient conditions. Power transfers may also be constrained by voltage stability limitations*

[12] AEMO, NTNDP Development Map, AEMO, May 2014.
http://www.aemo.com.au/Electricity/Planning/~/media/Files/Electricity/Planning/Reports/NTNDP/2014/NTNDP%202014%20%20map%20document.ashx

associated with the contingency of the Townsville gas turbine or a Stanwell to Broadsound 275kV circuit". Mt Stuart 420 MW OCGT Peaking power station, owned by Origin Energy, is announced[13] to be retired in 2022-23, which will further increase reliance on imports into North Queensland. The market announcement is not binding.

The KPSH project may therefore be generally well suited to feed into the North Queensland region and thus reduce imports during peak demand periods.

3.3.2. Existing Infrastructure

A possible advantage of developing a PSH power station on the Kidston site is the ability to utilise the existing infrastructure. Utilisation of existing infrastructure may mitigate the requirement for significant capital expenditure, particularly the cost of new dams.

Infrastructure already located on site that could be used for the KPSH project includes:

- An upper reservoir (Wises Pit– 240m depth);
- A lower reservoir (Eldridge Pit– 270m depth);
- A distribution substation (66 / 132 kV) located 1.7km from the Wises Pit;
- A 132 kV transmission line to Ross;
- The Copperfield Dam;
- An existing water pipeline from the Copperfield Dam to the Kidston site.

3.3.3. Generator Classification

The KPSH project would fall under several categories that AEMO use to classify both generation and demand projects.

Firstly as the installed capacity for the project would be greater than 30 MW and the load of the generator and pumps can be precisely controlled this project would be classified as a Scheduled Generator.

Secondly as the project would export and sell its generation into the NEM, in contrast to a project that sells all its generation locally, the KPSH project will also be categorised as a Market Participant.

With the designation of a Scheduled Market participant, the KPSH project would have to provide AEMO with bids and a corresponding load (generation or pumping operating level) for each dispatch interval. This would be applicable for both operating states, either generating or pumping.

[13] AEMO, "Generation Information for QLD", 2014, http://www.aemo.com.au/Electricity/Planning/Related-Information/~/media/Files/Other/planning/esoo/2014/Generation_Information_QLD_2014_Dec_10.ashx

4. The National Electricity Market

4.1. Overview of the NEM

The NEM is a market for the supply of wholesale electricity to retailers and end users in Queensland, New South Wales, Victoria, South Australia and Tasmania. All electricity sold and purchased in the NEM is traded through a "power pool" operated by the Australian Energy Market Operator (AEMO). Generators offer (bid) specified quantities of electricity to the market at particular prices of their choosing. From these bids, AEMO determines the generation required to meet the demand at that time. The dispatch process calculates the dispatch quantities of all generators and a prevailing market price in each region. Wholesale pool prices in the NEM can range from the market price floor (-$1,000/MWh) to the Market Price Cap (MPC), presently $13,500/MWh.

4.2. The Five-Minute Market

The NEM is dispatched in five-minute intervals. Generators must submit bids for each of the 288 dispatch intervals of the day. A "bid" refers to a set of 10 quantity-price pairs which specify the quantity a generator is willing to supply at a given price. In each dispatch interval, AEMO issues dispatch instructions to each generator and determines the market price for each of the NEM regions. The market price is the marginal cost of supply, i.e. the cost to supply the last unit of energy to meet demand in each region. The market price for a region is applied to all energy purchased and sold. PSH pumps are bid into the market as a scheduled load and will be dispatched to pump whenever the regional price is below the bid.

Dispatch instructions and market prices are determined for each five-minute interval and financial settlements in the NEM are based on thirty-minute trading intervals. Trading interval prices and volumes are the average of the six dispatch interval prices and volumes. For example, consider the trading interval presented in Table 2, which includes consideration of the dispatch of a hypothetical generator.

Table 2: Example Trading Interval

Dispatch Interval (5 minute periods)	Dispatch Interval Pool Price ($/MWh)	Generator Dispatch (MW)
1	$10,000	0
2	$400	0
3	$400	0
4	$400	0
5	$400	0
6	$400	120

The resulting trading interval pool price is $2,000/MWh (being the average of the 6 dispatch interval pool prices). The total dispatch quantity for this generating unit is 10 MWh (120MW for 5 minutes is equivalent to 10MWh). For each MWh the generator produces, it is paid $2,000/MWh. The nature of this market design is that a generator may effectively be paid a price based on market conditions which prevailed in a period in which it did not operate.

Dispatch at the five-minute level has a number of important features which reflect real physical constraints in dispatching large-scale generation. Specifically these features relate to the ability of units to increase/decrease their generation over a five minute period and also the ability of units to start operating. The market dispatches generation taking the following into consideration:

- Ramp Rates
  All units are required to bid ramp rates which designate the maximum increase or decrease in dispatch that is achievable over a 5 minute period. The restrictions on the flexibility of generation limit the ability of the system to respond to short-term changes in supply and/or demand.
- Fast Start Inflexibility Profiles
  The fast start inflexibility model is used to control the start-up of units which are capable of reaching minimum load in under 30 minutes.

  Fast start units bid five parameters:

  - Minimum Load;
  - Time to synchronise;
  - Time to ramp to minimum load;
  - Minimum time above minimum load;
  - Time to ramp down.

PSH is typical of the type of hydro generation having high ramp rates and fast start capability and therefore able to participate effectively at the 5 minute market level.

4.3. Outlook for Gas

A consequence of the development of LNG export capability is that the price of gas in the NEM, especially Queensland, is expected to increase significantly above historical levels. With the expiry of existing gas contracts, the production of electricity from gas generation in Queensland is expected to decrease significantly in the near future. Swanbank E power station, a combined cycle gas turbine that had previously provided approximately 2,000 GWh of energy annually, has been mothballed and the gas on sold to the LNG sector. Other gas fired plant owned by LNG developers, such as the 630 MW Darling Downs Power Station, is expected to substantially reduce electricity production as gas is redirected to higher value customers than the power generators.

The projected increase in Queensland gas prices will impact the wholesale market in Queensland.

The possible impacts include:

- An increase in the frequency of periods of time in which gas turbines are not operating. This could reduce the flexibility of the regional market to respond to rapid changes in the system; these changes could include generation outages, transmission outages, demand variability or the implementation of varying bidding strategies by large generation portfolios. A reduction in flexibility will increase the likelihood of price volatility and the occurrence of price spikes.

- Higher average prices due to the increase in the short-run marginal cost (SRMC) of gas fired generation and therefore the price of electricity offered to the market. Furthermore, the potential reconfiguration of CCGT generators to OCGTs will reduce the overall capacity installed and available, potentially impacting price.

4.4. Outlook for Coal

The outlook for coal generation in Queensland is considerably more positive. The increase in demand, particularly industrial demand, combined with rising gas fuel costs will put upward pressures on pool prices in Queensland and bolster the profitability of existing coal generation assets. Unlike the Queensland gas generators, the coal-fired power stations are not likely to experience substantial increases in fuel costs in the near term, particularly for mine mouth and captive mine generators.

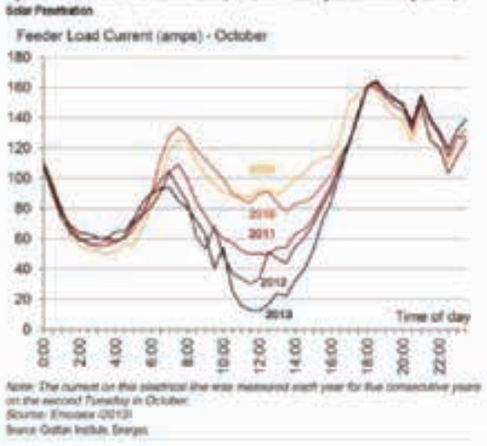
4.5. Outlook for Renewables

The Large-scale Renewable Energy Target (LRET) has resulted in the development of many wind farms across Australia. However, Queensland continues to be seen as a lower resource location for wind projects, and only limited wind capacity is currently installed in the State. There is a possibility that some large-scale solar generation could be developed in Queensland, but these are unlikely to be significant in comparison with the development of renewable generation across the remainder of the NEM. PSH schemes may fit favourably in a portfolio of renewable projects, compensating for the intermittent production from renewable generation. The intermittent nature of wind and solar will displace base load at times and cause more price spikes in the network during other periods when the wind is not blowing and the sun is not shining.

Renewable generation has a very low marginal cost of generation and is typically a price taker in the market. As a result, an increased penetration of renewable generation tends to suppress wholesale pool prices. This is known as the "merit order effect". In regions such as South Australia, this effect can suppress market prices. The poor outlook for large scale renewable generation in Queensland tends to quarantine Queensland from this effect.

As the following chart shows, PV installation at the local, or even regional, level could have a material impact on demand during the middle of the day, but would have little to no effect in peak demand periods of morning and evening. This effect is projected to grow in the future and is known in California as the 'duck' effect.[14]

Figure 44. Queensland Local Network Example – Demand Change With Increasing Rooftop Solar Penetration



Note: The current on this electrical line was measured each year for five consecutive years on the second Tuesday in October.
Source: Ergon Energy (2013)
Source: Grattan Institute, Energy

4.6. Summary of Queensland Market Outlook

Based on the AEMO forecasts, the outlook for the Queensland wholesale market is considerably more positive than other NEM regions. The commencement of full-scale LNG export at Gladstone will result in an increase in industrial demand, as the various LNG producers have entered into contracts for the construction of powerlines to service their loads, particularly the extraction and

[14] California ISO, "Demand Response and Energy Efficiency Roadmap", 2013, (accessed 16/06/2014). http://www.caiso.com/Documents/DR-EERoadmap.pdf.

compression loads of the gas fields. Gas prices for power generation are likely to escalate above historical levels, as there is no domestic gas reservation policy for Eastern Australia, and domestic gas users have to compete with international users for gas supplies.

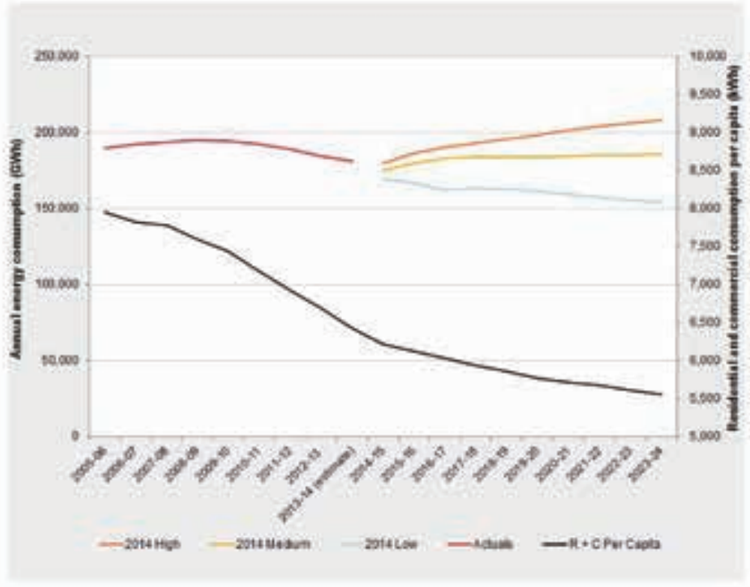
A PSH scheme could be advantaged by peak price spikes in Queensland. A PSH scheme is also capable of displacing other power stations such as OCGTs, which are relatively low in capital cost but with high fuel costs relative to coal fired power stations, and therefore higher SRMCs than a PSH.

4.7. The Queensland Region of the National Electricity Market

4.7.1. Demand Side evolution

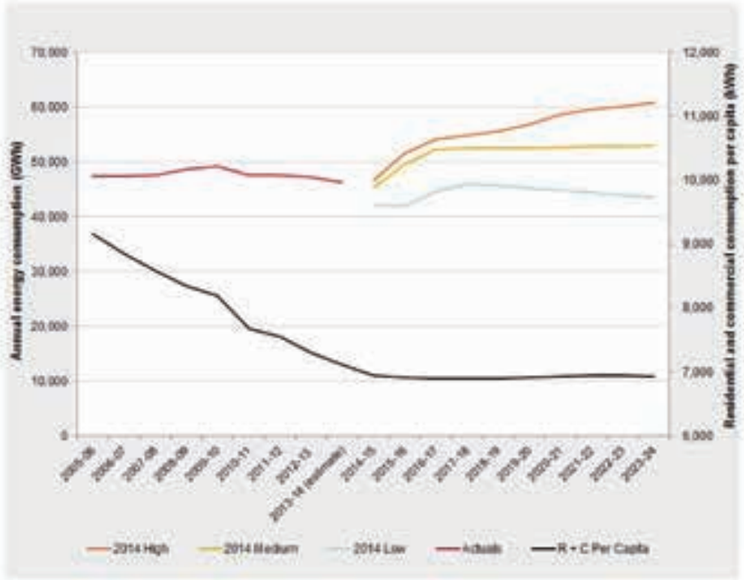
The NEM as a whole has experienced a contraction in the demand for electricity over the past five years. Industrial closures (e.g. aluminium smelters), the installation of rooftop PV and energy efficiency measures are the primary causes of the reduction in grid electricity demand. Queensland has experienced the lowest reduction in demand of all the NEM regions. This is shown in the following two charts, the first for the NEM and second for Queensland:

Figure 9: Annual Energy forecasts for the NEM[15]



[15] AEMO, "National Electricity Forecasting Report", June 2014, http://www.aemo.com.au/Electricity/Planning/Forecasting/~/media/Files/Other/planning/NEFR/2014/2014%20Updates/NEFR_final_published_Nov_2014.ashx

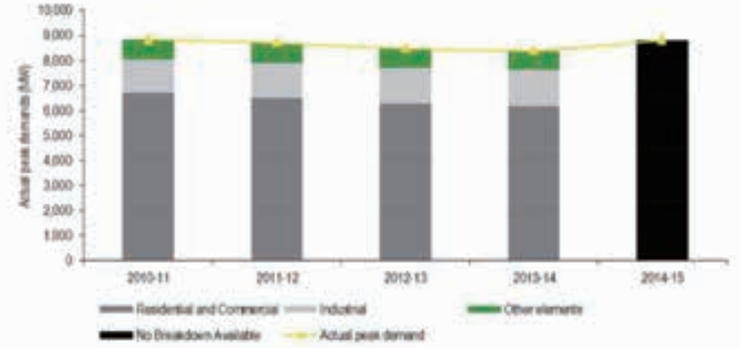
Figure 10: Annual Energy forecasts for Queensland[16]



Queensland peak demand levels have been between around 8,400 MW and 8,800 MW over the years 2010-11 through 2013-14. The actual peak demands recorded in these years are shown in Figure 11, along with a breakdown of the major contributions to those peak demands. The 'Other elements' category consists of contributions from factors including significant non-scheduled generation plant, transmission and auxiliary losses, and offsets resulting from solar PV generation.

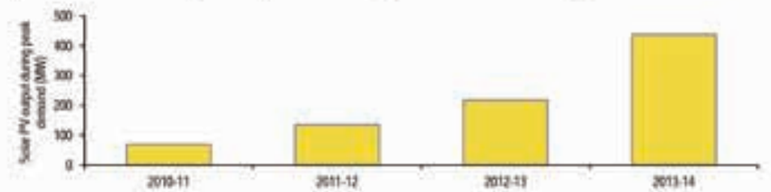
[19] AEMO, "National Electricity Forecasting Report", June 2014.
http://www.aemo.com.au/Electricity/Planning/Forecasting/~/media/Files/Other/planning/NEFR/2014/2014%20Updates/NEFR_final_published_Nov_2014.ashx

Figure 11: Actual peak demands in Queensland in recent years[17]



Although a downward trend in actual peak demand may be observed in Figure 11, this does not necessarily imply that such a trend will continue. Actual peak demands are impacted by many factors such as prevailing weather conditions in the year (temperatures and rainfall in particular), variation in the degree of consumption diversity across the region, and other natural factors that vary year to year. However, some clear trends may be observed in the demand data from recent years, such as the trend in solar PV generation. Figure 12 shows the aggregate output of solar PV generators during the Queensland peak demand in recent years. This generation acts to directly reduce the amount of energy that must be served by grid-connected (scheduled) generators so acts like a demand reduction. As can be seen, the uptake of solar PV in Queensland has been significant.

Figure 12: Solar PV output during Queensland peak demand in recent years[18]



Despite these trends, the 2014-15 financial year (to April 2015) has recorded a peak demand in excess of 8,800MW[19], significantly higher than recent years even with significant rooftop PV operating behind the meter. This is marginally lower than the record Queensland peak demand, clearly against the trend observed in recent years of declining peak demand. This highlights the possibility of adverse weather conditions contributing to high peak demands; the observed demand of over 8,800MW exceeded the forecast 10% probability of exceedence peak demand for 2014-15 by approximately 200MW.

[17] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM
[18] AEMO, "National Electricity Forecasting Report", June 2014.
http://www.aemo.com.au/Electricity/Planning/Forecasting/~/media/Files/Other/planning/NEFR/2014/2014%20Updates/NEFR_final_published_Nov_2014.ashx
[19] WattClarity, "Queensland electricity demand hits a high mark", 2015.
http://wattclarity.com.au/2015/03/queensland-electricity-demand-hits-a-high-mark-on-thursday-5th-march-2015/

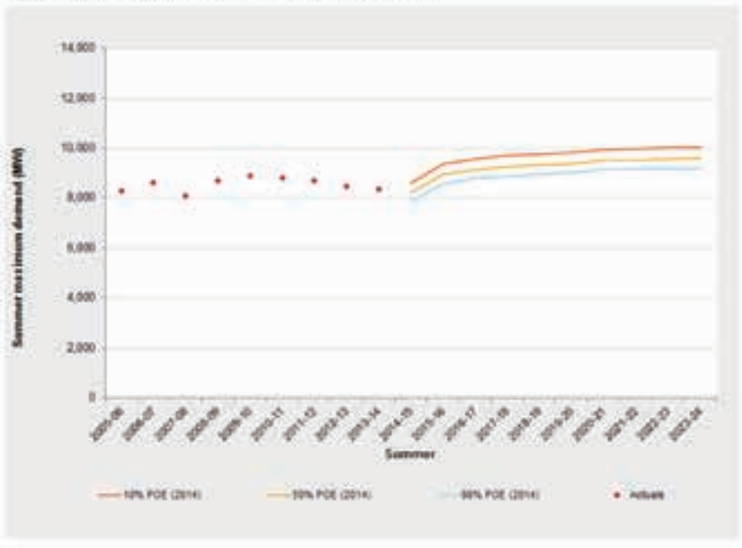
Despite this significant demand event, there still remained an oversupply of capacity in the Queensland market. This means that there remains limited opportunity to take advantage of supply scarcity, and rather in the current situation, any new generation project must focus on its ability to take market share from incumbents. However, this is a situation which may change over time.

4.7.2. Outlook for Maximum Demand

Maximum Demand is projected to remain relatively subdued across New South Wales, Victoria and South Australia in the AEMO forecast horizon. However, due to a number of factors, including the development of LNG export facilities at Gladstone in Central Queensland, maximum demand in Queensland is projected by AEMO to rise significantly over the next ten years, as seen in Figure 13. AEMO expects Queensland LNG projects to be the primary driver of industrial growth in the NEM. Maximum demand normally occurs in summer when air-conditioning usage is highest. Whilst the growth of rooftop PV installations in Queensland will have a negative effect on consumption from the grid, the net effect is that AEMO forecast an annual average growth rate of 4% per annum in maximum demand for Queensland from 2013-14 to 2016-17.

Any new generation, including PSH plants, will be well placed to benefit from both maximum demand and energy growth, as the rise in energy demand will be accompanied by a corresponding increase in peak demand.

Figure 13: Forecast Summer Maximum Demands for Queensland[20]



[20] AEMO, "National Electricity Forecasting Report", June 2014, http://www.aemo.com.au/Electricity/Planning/Forecasting/~/media/Files/Other/planning/NEFR/2014/2014%20Updates/NEFR_final_published_Nov_2014.ashx

4.7.3. Other projects creating demand growth

There are several projects that may come to fruition in the next decade. Powerlink provides a list of these in their 2014 APR[21]. The key table is reproduced below.

Table 3: Possible future large loads in Queensland

Zone	Description	Possible load
North	Further port expansion at Abbot Point	Up to 100MW
Central West and North	Greater than forecast increase in coal mining and railway load (Bowen Basin)	Up to 150MW
Central West and North	LNG upstream processing load (Bowen Basin area)	Up to 270MW
Central West	New coal mining load (Galilee Basin area)	Up to 1,000MW
Surat	New coal mining load (Surat Basin area)	Up to 100MW
Surat	Greater than forecast LNG upstream processing load (Surat Basin area)	Up to 400MW

While this in total represents some 2,000 MW of new load, it is unlikely that all of these projects will be developed. However, some of the projects have achieved significant milestones in their development process. For example, a number of Galilee Basin coal mining projects in particular have been approved by the Queensland and Federal governments, and should they proceed would also require the port expansion at Abbot Point to be undertaken. This 1,100 MW of possible load would materially increase the Queensland demand, and create opportunities for both existing and new generating plant to increase production levels. None of the projects listed in the table are included in AEMO's medium demand forecast as they have not met the conditions to be regarded as committed in AEMO's forecasts.

4.7.4. Electricity Supply in Queensland

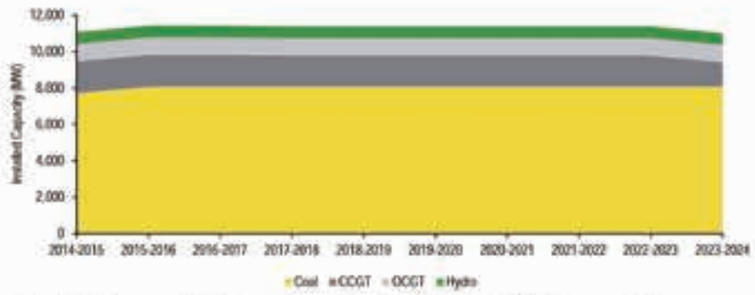
The generation fleet in Queensland has the ability to change under the influence of market conditions. In recent years, several generating units have been mothballed in response to subdued demand and wholesale prices. This includes Collinsville and two units of Tarong Power Station, which are coal units, and Swanbank E which is a combined cycle gas turbine (CCGT). Collinsville is an ageing plant and relatively expensive for coal, and is to be retired in 2016. However, Swanbank E and the mothballed Tarong unit (one has returned to service) may return to service should market conditions become more favourable. Committed capacity expectations as published by AEMO[22] show that Tarong Unit 2 (the final unit still mothballed) is expected to return to service by Summer 2015. The committed outlook for summer installed plant capacity in Queensland is summarized in Figure 14.

There are also other units in Queensland which face an uncertain future. Origin Energy has advised that they plan to retire the Mt Stuart power station in July 2023. This is a 400 MW peaking plant located in North Queensland, and its retirement could create opportunities for new projects like KPSH, especially in a future featuring increased load.

Other than in Queensland, there are several large coal units in the NEM (for example in the Latrobe Valley and the Hunter Valley) which are possible candidates for retirement in the coming decade. While retirements outside Queensland would have a much less pronounced effect on the local supply situation and electricity pricing, they would nonetheless help create an environment conducive to new generating plant.

[21] Powerlink, "Annual Planning Report", 2014, http://www.powerlink.com.au/About_Powerlink/Publications/Transmission_Annual_Planning_Reports/Transmission_Annual_Planning_Report_2014.aspx
[22] AEMO, "Generation Information for QLD", 2014, http://www.aemo.com.au/Electricity/Planning/Related-Information/~/media/Files/Other/planning/esoo/2014/Generation_Information_QLD_2014_Dec_10.ashx

Figure 14: Queensland committed annual generation capacity by type[23]



The electricity interconnection between Queensland and New South Wales is a major factor influencing the Queensland market in terms of supply and price. In general, increased interconnection tends to equalise price between regions while reducing wholesale price volatility, and therefore an expansion of interconnection would not tend to be favourable for a plant such as KPSH.

While significant work has been undertaken by the two relevant transmission service providers (Powerlink and TransGrid) regarding the case for upgrading of QNI in recent years, the cost-benefit analyses have not identified a credible preferred option[24]. This means that an upgrade would be unlikely to pass the necessary Regulatory Investment Test for Transmission (known as the RIT-T) in order to get funding from the Australian Energy Regulator (AER).

4.7.5. Supply side evolution

The Queensland electricity supply sector is characterised by a high level of government ownership. The Queensland government owned corporations (GOCs) CS Energy and Stanwell Corporation own and/or operate over 60% of the capacity in Queensland. The majority of generation is located in central Queensland and south west Queensland.

The generation fleet to which KPSH would be added is provided in Table 4, which provides a complete listing of the scheduled generators currently installed in the Queensland region. This information has been sourced from AEMO's August 2014 Queensland Generation Information summary.

Table 4: Existing and committed scheduled generation units in Queensland[25]

Power Station	Owner	Nameplate Capacity (MW)	Installed Capacity (MW)	Plant Type	Fuel
Barcaldine Power Station	Ergon Energy Queensland Pty Ltd	1 x 37 1 x 18	55	CCGT	Natural Gas Pipeline
Barron Gorge	Stanwell Corporation Limited	2 x 33	66	Run of River Hydro	Water
Braemar	Braemar Power Project Pty Ltd	3 x 168	504	OCGT	Coal Seam Methane

[23] AEMO, "Generation Information for QLD", 2014, http://www.aemo.com.au/Electricity/Planning/Related-Information/~/media/Files/Other/planning/esoo/2014/Generation_Information_QLD_2014_Dec_10.ashx
[24] Powerlink, "QNI Upgrade Study", 2014, https://www.powerlink.com.au/Network/Network_Planning_and_Development/QNI_upgrade_study.aspx
[25] AEMO, "Generation Information for QLD", 2014, http://www.aemo.com.au/Electricity/Planning/Related-Information/~/media/Files/Other/planning/esoo/2014/Generation_Information_QLD_2014_Dec_10.ashx

Power Station	Owner	Nameplate Capacity (MW)	Installed Capacity (MW)	Plant Type	Fuel
Braemar 2	NewGen Braemar 2 Partnership	3 x 173	519	OCGT	Coal Seam Methane
Callide B	CS Energy	2 x 350	700	Steam Sub Critical	Black Coal
Callide C	Callide Power Management	2 x 450	900	Steam Super Critical	Black Coal
Collinsville	Ranch Australia	2 x 31.5 2 x 30.5 1 x 66	190 (currently mothballed)	Steam Sub Critical	Black Coal
Condamine A	QGC	1 x 144	144	CCGT	Coal Seam Methane
Darling Downs	Origin Energy Power Limited	1 x 280 3 x 121.5	644.5	CCGT	Coal Seam Methane
Gladstone	Gladstone Power Station Participants	6 x 280	1,680	Steam Sub Critical	Black Coal
Kareeya	Stanwell Corporation Limited	4 x 21.6	86.4	Run of River	Water
Kogan Creek	CS Energy	1 x 744	744	Steam Super Critical	Black Coal
Mackay GT	Stanwell Corporation Limited	1 x 34	34	OCGT	Diesel
Millmerran	Millmerran Power Partners	2 x 426	852	Steam Super Critical	Black Coal
Mt Stuart	Origin Energy Mt Stuart	2 x 146 1 x 131.5	423.5	OCGT	Kerosene Aviation fuel used for stationary energy
Oakey	Oakey Power Holdings	2 x 140.9	281.8	OCGT	Diesel
Roma	Origin Energy Power Limited	2 x 40	80	OCGT	Natural Gas Pipeline
Stanwell	Stanwell Corporation Limited	4 x 365	1,460	Steam Sub Critical	Black Coal
Swanbank E GT	Stanwell Corporation Limited	1 x 385	385 (currently mothballed)	CCGT	Coal Seam Methane
Tarong	Stanwell Corporation Limited	4 x 350	1,400 (one unit currently mothballed)	Steam Sub Critical	Black Coal
Tarong North	Stanwell Corporation Limited	1 x 450	450	Steam Super Critical	Black Coal
Wivenhoe	CS Energy	2 x 250	500	Pump Storage	Water
Townsville Power Station	Ranch Australia	1 x 160 1 x 84	244	CCGT	Coal Seam Methane
Total			12,343.2		

The generation capacity able to be delivered to the grid may be significantly less than the 12,300 MW nominally available. Many factors may limit the available supply, in particular:

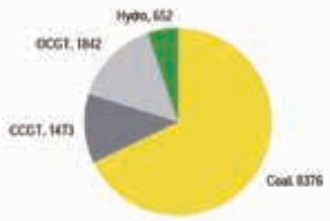
- Some generation units have been mothballed (Tarong, Swanbank E) or are in the process of being retired (Collinsville)

- Some generation units are not able to achieve their nameplate rating in the market in summer conditions (particularly under high ambient temperatures with elevated cooling water temperatures)
- Planned and forced outages of plant, or limitations in fuel or water availability (for generation or for cooling purposes). Environmental limitations (including emissions and noise constraints) can also significantly impact the capability of plant to offer its full capacity to the market at times.

Taking into account planned mothballing and summer output constraints, AEMO states that the available generation capacity to meet the 2014-15 Queensland summer peak demand is 11,087 MW. This is substantially lower than the installed capacity, but still is in excess of current demand levels, which are discussed in the next section. It also does not factor in the other limitations discussed above which in practice limit the total plant availability further.

The QLD generation fleet is heavily biased towards baseload coal generation, complemented by a range of open and combined cycle gas plant and a small amount of hydro generation. The relative amount of each of these types is shown in Figure 15, which is based on nameplate ratings, without adjusting for the mothballed Swanbank E and shut down Collinsville units.

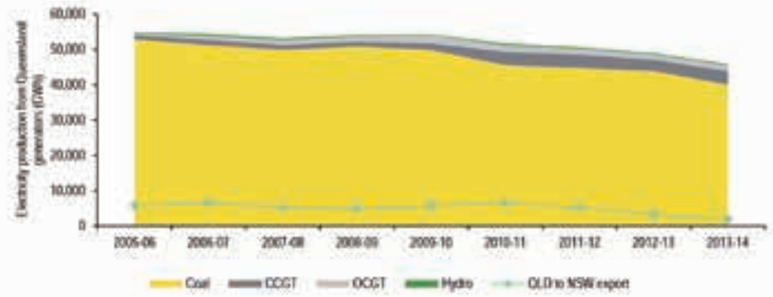
Figure 15: Queensland generation technology mix (type, total installed MW)[26]



The generation mix in Queensland can also be examined from an energy share basis. Figure 16 shows how the significant generation technologies in Queensland contributing to overall electricity production changed over the past decade. The net export of energy from Queensland to southern regions is also shown. As can be seen, energy output in Queensland is dominated by coal generation. However the amount of energy produced by coal plant has trended downwards throughout this period, which was largely a result of the government's Queensland Gas Scheme (QGS). This scheme commenced in 2005 and required an increasing proportion of energy to be generated by gas-fired generation. The QGS was closed at the end of 2013. In addition, severe drought conditions that continued to worsen in Australia from 2000 onwards had an impact on coal generation by reducing cooling water supplies available, especially around 2007-08.

[26] AEMO, "Generation Information for QLD", 2014, http://www.aemo.com.au/Electricity/Planning/Related-Information/~/media/Files/Other/planning/esoo/2014/Generation_Information_QLD_2014_Dec_10.ashx

Figure 16: Queensland generation by technology (2005-06 to 2013-14)[27]



Queensland has been connected to NSW by two interconnectors since the early 2000's:

- QNI: an AC interconnector between Bulli Creek and Dumaresq, west of the Great Dividing Range;
- Terranora: a smaller interconnector that includes the DC transmission line between Bungalora and Mullumbimby, in the northern rivers of NSW.

The combined export and import capacity of the interconnectors exceeds 1500 MW, although the import and export capacity is not equal owing to transmission limitations in northern New South Wales and South West Queensland reducing the Queensland import capability. Together the two interconnectors offer a nominal connection into Queensland of approximately 400 MW. However, in practice other network and stability limits mean that under normal circumstances, only 200-300 MW is able to be delivered from New South Wales into Queensland.

4.7.6. Forecast balance of supply and demand

AEMO publish annually the outlook of reserve capacity in excess of peak demand requirements to ensure that the NEM Reliability Standard is maintained. This publication, the Electricity Statement of Opportunities[28], provides an adequacy assessment of electricity supply to meet consumption by each NEM region across a 10 year outlook period.

Figure 17 below shows that across each of the High, Medium and Low scenarios, there is sufficient installed and committed generation capacity in Queensland to meet demand growth.

[27] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM
[28] AEMO, "Electricity Statement of Opportunity", 2014, http://www.aemo.com.au/Electricity/Planning/~/media/Files/Other/planning/esoo/2014/ESOO%20Update/2014_Electricity_Statement_of_Opportunity_Complete_Document.ashx

Figure 17: Surplus capacity in Queensland[29]

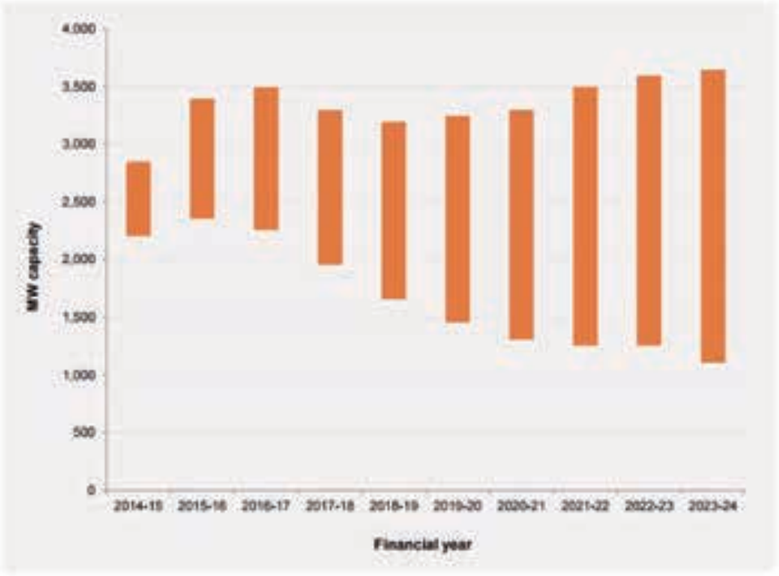


Table 5 shows that, although there is no low reserve condition in any scenario, the level of Unserved Energy (" USE") in the High scenario by 2023-24 is above zero, suggesting that over time this scenario may be at risk of requiring additional capacity without any withdrawals of existing plant. However we note that the forecast level of USE (0.0001%) is well under the 0.002% USE maximum allowed under the Reliability Standard, as specified by the Australian Energy Market Commission's ("AEMC") Reliability Panel[30].

Table 5: Forecast Low Reserve Condition points in Queensland[31]

	Low		Medium		High	
Region	**First LRC**	**USE**	**First LRC**	**USE**	**First LRC**	**USE**
Queensland	Beyond 2023–24	-	Beyond 2023–24	-	Beyond 2023–24	34 MWh 0.0001%

[29] NEM Statement of Opportunities, 2014
[30] AEMC "Guidelines and Standards", available at http://www.aemc.gov.au/Australias-Energy-Market/Market-Legislation/Electricity-Guidelines-and-Standards?type=2
[31] NEM Statement of Opportunities, 2014

5. Transmission and Distribution

5.1. Connection to the NEM

Based on a project configuration comprising 3 x reversible 110MW pump/generators (total nameplate capacity 330MW), the preferred connection arrangements as conveyed to us by Genex are to connect via a new 275kV "sulphur" AAAC transmission line. The 275 kV feeder line would cover a distance of approximately 160 km based on easement information supplied to EY by Genex. The connection to the NEM will be made along Powerlink's Ross to Chalumbin 275 kV transmission line in northern Queensland. (See Figure 8)

5.2. Transmission Losses

When power flows across transmission lines this heats the lines. This heat is manifested as a reduction in the power level at the receiving end of the line. This reduction in power is referred to as losses, which have a material impact on the cost of supplying power and are factored into the NEM market rules to ensure that losses are accounted for on a user pays basis. The transmission companies do not have to pay for losses, as they do not own the electricity in the wires.

To account for these losses, a loss factor is applied to the price which generators receive and the price that loads pay for electricity in the market. The impact of loss factors on spot prices is mathematically represented as transmission loss factors. The settlement price for both generators and market customers is equal to the amount of energy produced or consumed multiplied by both the spot price that applies in the region of their operation and the loss factors that apply[32]. KPSH will receive two sets of loss factors, one set for generation and one set for pumping, which is equivalent to that of a load.

The loss factors are multiplied by the regional reference price for energy to determine the revenue the generation receives and the cost that the pump pays. It is preferable that when the generator is dispatched the loss factors will be 'high' so that revenue is increased for the generator. Conversely, when KPSH is pumping and using energy, a 'low' loss factor would be preferable, as it effectively lowers the energy costs for pumping operation. However, loss factors are calculated taking into account the entire electricity network, including all the generation and load at each connection point, so are not able to be influenced much by a single market participant.

KPSH will not have to register as a Customer as the energy consumed by the pump would be purchased through the market just as a generator would sell using bids[33]. To determine the local price of energy at the generator and pump connection point the spot price at the regional reference node (South Pine near Brisbane in the Queensland region) would be multiplied by the loss factors assigned to the generator and pump.

[32] AEMO, "Introduction to Australia's National Electricity Market", July 2010, http://www.aemo.com.au/About-the-Industry/Energy-Markets/~/media/Files/Other/corporate/AEMO16839_FactSheet_NationalElectricityMarket_D6.pdf.ashx
[33] AEMO, "NEM Generator Registration Guide, May 2013, http://www.aemo.com.au/About-the-Industry/Registration/How-to-Register/Application-Forms-and-Supporting-Documentation/~/media/Files/Other/Registration%202014/Registration%20Final/NEM_GENERATOR_REGISTRATION_GUIDE_final.ashx

5.3. Marginal Loss Factor for KPSH

The transmission connection point for the project would, based on information supplied by Genex, be at a point on the 275 kV network between Ross and Chalumbin substations in North Queensland. KPSH will have its own MLF and will also change the MLFs of other North Queensland locations. Once the project is commissioned AEMO will designate two MLFs at this point, one with the generator operating and one with the pump operating. In general as generation increases, MLFs decrease. Accordingly the MLF for the generation component may be less than the MLF for the pump component, although the load shape in North Queensland has a major influence. The values computed by AEMO change annually as the market evolves and network flows change. The current MLFs in the region are a reasonable guide to the future unless major changes to the local North Queensland load and/or generation mix emerge.

6. Operational Considerations

6.1. PSH Operational Considerations

PSH generation relies on profiting from the differential between pool prices during generating and pumping. The volume of storage available to the generator is an important determinant as to how it will operate in the market. The size of the upper storage of KPSH would allow a degree of operational flexibility. The primary modes of operation would include:

- Time-of-day based operation to capitalise on the difference between off-peak pricing and morning and evening peak prices;
- Utilising the rapid start capability of the generation unit to capture short-term periods of price volatility, either generating or pumping, from an offline state;
- Operating for extended periods during times of high pricing associated with generation or transmission contingencies and peak demand, subject to water management.

Another critical factor in determining the operation of a PSH scheme is the relativity between the cost and benefit of pumping and generating. This relativity is influenced by the following factors:

- The cyclic efficiency of the scheme, i.e. the ratio of the energy produced by using a unit of water to generate electricity for the market and the energy used to pump a unit of water to the upper reservoir from the lower reservoir;
- Losses from transporting electricity both to and from the power station. If the connection point is on the grid 160 km from the power station then Genex will pay for the average losses for energy transported in each direction to and from the grid.
- The marginal loss factors for the generation of power and the consumption of power by KPSH at the connection point will be applied by AEMO, the market operator.

6.1.1. Cyclic Efficiency

PSH generation converts electrical energy to potential energy (through pumping), and then converts potential energy to electrical energy (when generating). Cyclic or "round-trip" efficiency refers to the ratio of the electrical energy produced to the electricity consumed. Both pumping and generation involve a loss of energy, although this is dependent on several factors, including turbine design and head. As a result of this inefficiency, pumped storage hydro schemes need to be able to make a margin on the energy they sell to the market compared with the energy they buy from the market. For example, if energy was purchased during pumping at $40/MWh and was sold for $45/MWh, and assuming a cyclic efficiency of 80%, the scheme would be making a loss of $5 per MWh generated once cyclic efficiency is accounted for. Therefore, the cyclic efficiency is a primary consideration in determining the profitability of a pumped hydro scheme.

6.1.2. Losses

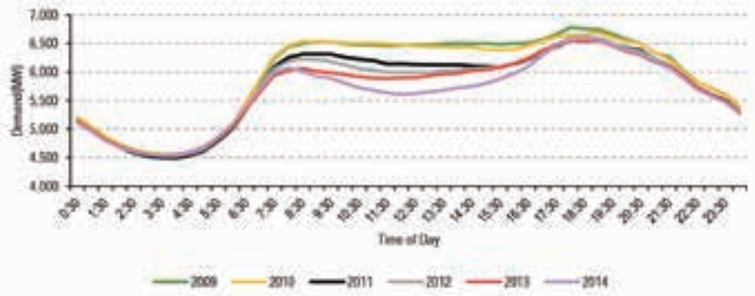
KPSH is located in a relatively remote location. This remote location and the lack of significant local demand (approximately 10 MW maximum demand from Georgetown) results in losses when both pumping from the grid and generating into the grid; the magnitude of these losses would increase as generation or pumping loads increase.

As described in Section 5.2, a pumped storage scheme is exposed to loss factors for both the purchase and sale of energy. Generally, generation assets benefit considerably in terms of losses by locating in North Queensland since around 90% of the electricity consumed is imported over up to 700 km of transmission line from Central Queensland. The supply deficit in North Queensland may result in transmission loss factors as high as 1.10 (i.e. a 10% premium for wholesale market revenue). North Queensland loads are similarly subject to a premium in their cost of energy, having to pay a higher cost for their energy consumed in much the same way as generators receive a higher price for the energy they generate.

6.2. Queensland daily generation and load profiles

Queensland's daily load shape has typical morning and evening peaks produced by households increasing energy consumption before and after the general work day. In recent years, as discussed in Section 4.7, the penetration of energy efficient appliances and distributed generation such as rooftop PV has reduced the typical household's day time energy consumption such that the regional load shape is materially changing, as shown in Figure 18.

Figure 18: Historical Queensland average daily load shape[34]



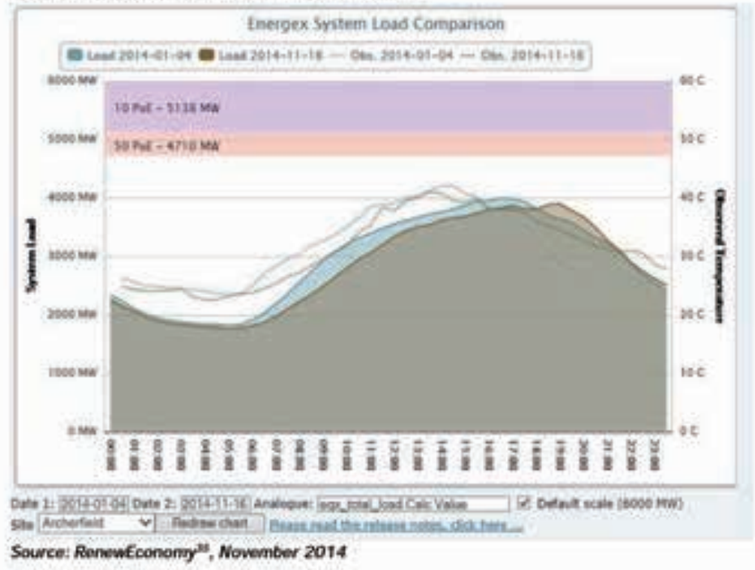
The effect is that future years will likely (in the absence of new devices such as household storage or electric vehicles) introduce a significant 'off-peak' load during day time, working hours. This trough may introduce energy price differentials which work in a PSH project's favour, allowing for opportunities to use day time low load periods to pump water at low prices, increasing the available water for the evening peak times. Put another way, the likely impact of a lowering day time load (and price) will be to increase the attractiveness of operation of the PSH during the morning peak, rather than reserving all water for evening peak operation.

The presence of PV will also likely shift the peak demand later in the day, to times when PV generation is low or negligible. This may marginally reduce the actual peak (as compared to no PV having been installed), reducing but not eliminating the need for peaking capacity to support peak loads.

The figure below demonstrates this effect, as observed on the Energex regional network during the November 2014 heatwave, experienced in Brisbane coinciding with the G20. It is compared with another observed day in January 2014, which has an earlier peak demand.

[34] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM

Figure 19: Impact of PV in changing the timing of peak demands



Source: RenewEconomy[35], November 2014

6.3. Time of Day Pricing

Electricity demand in Queensland follows a relatively predictable pattern over a 24 hour period. Demand is lowest during the very early hours of the morning before rising to a morning peak. Reduced demand and increased generation from rooftop solar generation causes a slight dip during the middle of the day with the higher evening peak occurring at approximately 6pm. Demand gradually declines during the night.

This pattern of time-of-day energy usage creates a similar pattern for wholesale pool prices. This is illustrated in Figure 20 which shows the average time-of-day pricing for Queensland during the 2012-13 financial year. This relationship between the time of the day and pool prices provides opportunities for technologies such as PSH.

[35] RenewEconomy, "Solar Pushes QLD Network Peak into Evening", 2014, http://reneweconomy.com.au/2014/solar-pushes-qld-network-peak-into-evening-in-g20-heat-52710

Figure 20: Average Time-of-Day Pricing (2012-13, including effects of carbon tax)[36]

It is the ratio of, rather than the absolute value of the difference between pool prices during pumping and generation, that determines whether a profit is made. For example, a PSH could profit from pumping at $45/MWh and generating at $90/MWh but make a loss from pumping at $145/MWh and generating at $190/MWh, with the breakeven point depending on cyclic efficiency.

6.4. Rapid Start Capability

Much of the pool price volatility that has occurred in the recent history of the NEM has been transient in nature. These transient price spike events are often characterised by only a single dispatch interval when the pool price is near the MPC and the remainder of the trading interval prices are relatively low. PSH generation is particularly well suited to profiting from this volatility. Hydro generation can reach maximum operation within seconds and can therefore maximise generation during these price spike events (if water is available to operate).

Hydro generation is better placed to benefit from short-term volatility from the perspective of:

- Acting as a merchant generator seeking to maximise wholesale market revenue;
- Providing the ability to cover a contracting position;
- Acting as a physical hedge as part of a retailer's portfolio.

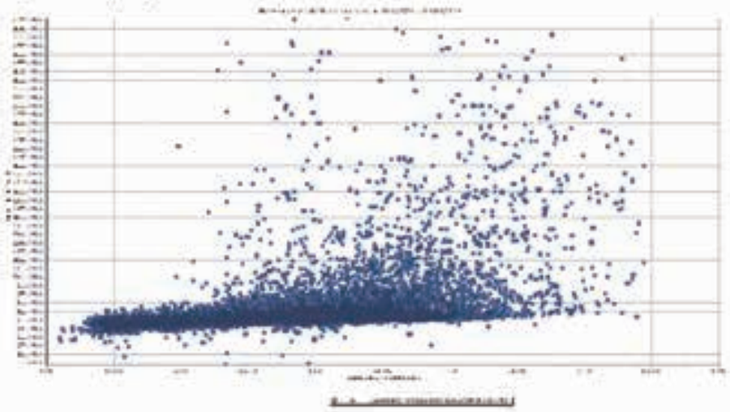
PSH generators can utilise a prudent strategy by reserving an allocated level of water storage which could be used upon the occurrence of these unpredictable transient price spike events.

During the 2012-13 financial year, there were 47 trading intervals in which the pool price exceeded $1,000/MWh. Of these 47 periods, 37 (almost 80%) of the trading intervals were characterised by a single dispatch interval in which the pool price exceeded $5,000/MWh. This demonstrates that volatility is often transient in nature and that rapid response generation such as pumped storage hydro can have a significant advantage over other technologies in capturing these opportunities. The following figure shows the trading intervals during 2012-13 when pool prices were up to $400/MWh in

[36] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM

Queensland. While this excludes very high price periods for the purposes of illustration, there are a large number of profitable opportunities for generating in more moderate price periods as well as the extremely high prices. This is a representative year of NEM prices and could be expected in future years in a gross pool market such as the NEM, which has the potential for extreme price volatility, having a very high Market Price Cap, to stimulate sufficient investment to meet peak demands.

Figure 21: QLD pool prices 2012-13[37]



6.5. Peak Pricing Events

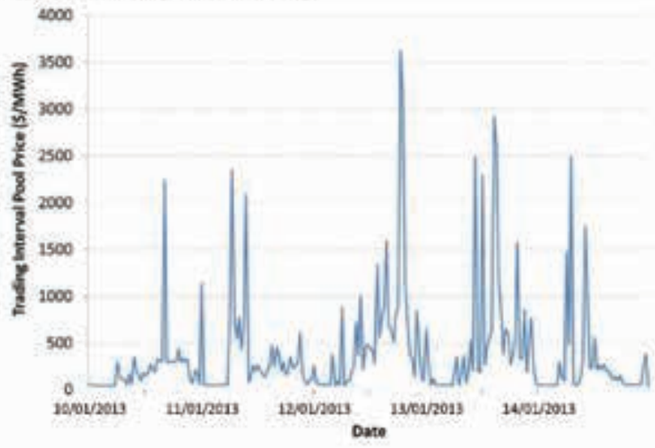
A valuable source of revenue for all peaking generation is the supply of energy during periods in which supply-demand balance is tight. A tight supply demand balance can occur due to:

- High levels of demand, particularly during hot summer months;
- Outages of major generating units;
- Transmission contingencies which limit the ability of generation in a geographical location to supply energy to the region.

The period between the 10th and the 14th of January 2013 provides an example of an extended period in which Queensland wholesale pool prices were high; pool prices averaged $386/MWh over this period. Figure 22 shows the Queensland pool price over this period. By operating whenever price exceeds $150/MWh during this period a generator would be able to earn approximately $40,000/MW of generation, adjusted for MLFs.

[37] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM

Figure 22: 10 January 2013 to 14 January 2013[39]



6.6. Contract Markets

In addition to wholesale market revenues, generators can contract with counterparties to supply energy at a specified price. In effect, generators would then forgo revenue in the spot market in return for contract revenue. The two broad categories of contracts traded are caps and swaps. These contracts are used by generators, retailers and end users to manage the financial risk that arises from operating in the volatile wholesale electricity market. Contracts can be traded in over-the-counter markets involving direct transactions between counterparties or through the standardised exchange operated by the ASX.

Caps apply when a counterparty pays a fixed fee in exchange for payment whenever the pool price exceeds a specified strike price. Caps provide the ability for buyers of energy to limit their maximum exposure to price volatility and for sellers to secure a reliable source of revenue. A typical cap is a $300 cap contract. Whenever price exceeds $300/MWh in a trading interval, the seller of the contract pays the difference between the pool price and the $300 strike price to the buyer. The value of caps is heavily dependent on the expectation of pool price volatility over the relevant period. The value of the cap compensates the seller for this loss of actual value based on the expectation of risk associated with the contracted period. As such, periods with a greater likelihood of more extreme demand conditions (summer, for example) will likely have a higher contract value than milder periods of the year.

PSH operators could choose to sell cap contracts. The benefit of selling cap contracts is that it reduces exposure to variable pool price outcomes and ensures a fixed stream of revenue (although noting that this involves foregoing upside potential). The risk of selling cap contracts is that a generator can suffer significant losses if they are not operating during a period of high price. For example, assume that pool price is $10,000/MWh for one hour and a generator has sold 100 MW of $300 cap contracts. If the generator is not dispatched during that hour, possibly due to a breakdown or failure to start, congestion or other limitation, it is required to pay the counterparty $970,000 (or $9,700, being

[39] Historical market data as sourced from the NEM Review service, provided by GLOBAL-ROAM

the difference between the pool price and the contract strike price, for each of the 100MW contracted). PSH has an advantage over OCGT generation in this regard due to its potentially high level of reliability and its rapid start capability.

A swap contract is a futures contract where a generator agrees to sell energy for a particular price over a specified period. KPSH is less likely to enter into a swap contract as the relatively low level of operation is not suited to a contract that is dependent on pool prices in all trading intervals during the specified period.

6.7. Ancillary Services

Ancillary services are procured by AEMO to ensure the safe and reliable operation of the NEM. AEMO pays a fee to generators for the provision of Ancillary services. Ancillary services maintain critical characteristics of the power system such as frequency, voltage and system restart. The three broad categories of ancillary services are:

- Frequency Control Ancillary Services (FCAS);
- Network Support and Control Ancillary Services (NSCAS); and
- System Restart Ancillary Services (SRAS).

6.7.1. FCAS

AEMO operates eight frequency control ancillary service markets in parallel with the energy market. These eight markets can be categorised as being either regulation or contingency services. Furthermore, services can also be categorised as "Raise" or "Lower"; these services are used to increase and decrease frequency respectively.

6.7.2. Regulation

Frequency regulation refers to the management of supply-demand balance at all times in response to any minor deviation. AEMO procures two regulation services, Regulation Raise and Regulation Lower. Regulation services are provided by generators on Automatic Generation Control (AGC).

6.7.3. Contingency

Contingency services are used to manage the frequency of the system in response to an event such as a generation or transmission outage. Contingency services are procured at all times but are rarely used. Contingency services are categorised according to the time taken to respond. The six contingency markets are:

- Fast Raise and Fast Lower: Ability to respond within six seconds to correct frequency;
- Slow Raise and Slow Lower: Sixty second response;
- Delayed Raise and Delayed Lower: Five minute response to return the system to normal frequency.

AEMO determines the MW amounts which are required for each of these services. Every generator bids for the right to provide these services in each dispatch interval. These markets are then settled through NEM dispatch in conjunction with the energy market.

6.7.4. FCAS and Pumped Hydro

A PSH scheme can contribute to both the Slow and Delayed FCAS markets. The generator and pump can be used to provide both Raise and Lower services when operational. The rapid start capability of PSH could be used to allow the project to provide Delayed Raise, even when not operating. Therefore, Delayed Raise may provide a source of FCAS revenue for the project.

6.7.5. NSCAS

NSCAS services are used to control voltage within the power system and to manage the physical limitations of transmission elements. NSCAS services include:

- Network Loading Ancillary Services (NLAS);
- Voltage Control Ancillary Services (VCAS);
- Transient and Oscillatory Stability Ancillary Services (TOSAS).

These services are generally provided by TNSPs, and the likelihood of these providing a revenue source is low, due to the remote location of Kidston.

6.7.6. SRAS

Large interconnected power systems are at risk of being seriously affected by network events which could lead to cascading outages. Following the initial disturbance, the system may split into several islands which may or may not stabilise, or decline into a complete system blackout.

The availability of an uninterruptable source of power is essential for regional economic benefit. As such, SRAS is procured by AEMO to safeguard the immediate availability of power following a significant system disturbance.

KPSH has the potential to offer SRAS to AEMO, provided that there is adequate water stored in the upper reservoir. KPSH has the ability to be started very quickly with minimal auxiliary power requirements. Other Pumped Storage projects in Australia such as Wivenhoe and Tumut 3 also have black-start capabilities capable of providing SRAS.

6.8. Ownership change in the Queensland energy market

In the 2015 Queensland State election the privatisation of both the network assets (controlled by Powerlink, Ergon Energy and Energex) and generation assets (Stanwell and CS Energy) were a key source of policy differentiation between the Labor and LNP parties. The newly elected Labor Government has committed to its pre-election promise of **not** privatising these energy assets. We therefore do not expect major change in asset ownership in the foreseeable future, particularly those assets held by the government owned corporations. The State government has however flagged the possible merger of the network businesses.

Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services Limited, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act and its representatives are qualified to provide this report. The directors and representatives of Ernst & Young Transaction Advisory Services Limited responsible for this report have not provided financial advice to Genex.

Prior to accepting this engagement we considered our independence with respect to Genex with reference to ASIC Regulatory Guide 112 *Independence of experts*. Ernst & Young, and global affiliates thereof, have not provided any services in relation to the IPO other than the preparation of this report. However ROAM Consulting, acquired by Ernst & Young in 2014, and Ernst & Young have provided professional services to assist Genex to understand the NEM and the dynamics of the Queensland market specifically. We are not aware of any conflict of interest either in relation to the firm or the individual professional staff involved in this engagement which would impact on our ability to provide an independent and unbiased report.

This report has been prepared specifically for the directors of Genex. Neither Ernst & Young Transaction Advisory Services Limited, Ernst & Young, nor any member or employee thereof, undertakes responsibility to any person, other than the Genex directors, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We have evaluated the information provided to us by Genex, as well as other parties, through inquiry and analysis, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. We do not imply and it should not be construed that we have audited or in any way verified any of the information provided to us, or that our inquiries could have verified any matter which a more extensive examination might disclose.

We provided draft copies of this report to the directors and management of Genex for their comments as to factual accuracy. Changes made to this report as a result of this review by the directors and management of Genex have not changed the approach or conclusions reached by us.

We will receive a professional fee based on time spent in the preparation of this report estimated at approximately A$22,000 inclusive of GST. We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the preparation of this report. No part of the fee is contingent on the conclusions reached, the content or the future use of this report.

The principal persons responsible for the preparation of this report are Stuart Bright, Ian Rose and Andrew Turley. Stuart Bright, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 20 years' experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. Ian Rose, an executive director of Ernst & Young, is a registered professional engineer in Queensland, and has over 40 years' experience in providing industry advice and professional services and has professional qualifications appropriate to the advice being offered. Andrew Turley, a senior manager of Ernst & Young, with qualifications in Commerce and Information Technology, has 10 years' experience in providing industry advice and professional services to NEM market participants and investors and has professional qualifications appropriate to the advice being offered.

The preparation of this report has had regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose other than to be included in the Prospectus being prepared for the purposes of the IPO of Genex in order to provide readers of the Prospectus with an overview of the industry and market in which Genex operates.

We consent to the issue of this report in the form and context in which it is included in the Prospectus to be sent to potential investors of Genex.

Appendix B Sources of information

In arriving at our findings and views, we have had regard to the following sources of information:

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Appendix C Glossary

Abbreviation	Full Title	Description
AEMO	Australian Energy Market Operator	AEMO delivers a variety of electricity & gas market, operational development and planning functions.
AER	Australian Energy Regulator	The AER regulates energy markets and networks.
	Base Load Generator	Generating plant that is normally operated to take all or part of the minimum load of a system which produces electricity at an essentially constant rate.
CCGT	Combined Cycle Gas Turbine	An assembly of heat engines that work in tandem from the same source of heat converting drives electrical generators.
CCS	Carbon Capture and Storage	Any of a number of approaches designed to reduce greenhouse gas emissions by capturing.
	Cogeneration	It is the use of a power station to generate electricity and useful heat at the same time.
CSG	Coal Seam Gas	Production of natural gas from underground coal seams.
	Decommissioned Plant	Generating plant that has been permanently taken offline.
ETS	Emissions Trading Scheme	A market-based approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants.
GJ	Gigajoule	A unit of energy equal to 10^9 Joules
GWh	Gigawatt hours	A unit of energy that is the equivalent amount of Gigawatt power extended for a period of one hour.
	Interconnector	A transmission system which connects the electricity transmission networks of adjacent states
J	Joule	A derived standardised international unit for energy. It is the equivalent to applying one Newton over one metre.
LNG	Liquid Natural Gas	A liquefied form of natural gas that has been converted from its gaseous state for the ease of storage or transportation.
LRET	Large-scale Renewable Energy Target	The Large-scale Renewable Energy Target (LRET) creates a financial incentive for the establishment and growth of renewable energy power stations, such as wind and solar farms, or hydro-electric power stations.
	Market Generator	An electricity generator which has at least one generating unit classified as a market generating unit and which is also registered with AEMO as a market generator.
MLF	Marginal Loss Factor	A percentage representation of the electrical losses through other energy forms such as heat
	Mothballed Generator	Generating plant which has been temporarily taken offline.
MW	Megawatt	A unit of power equal to 10^6 Joules per second
MW_e	Megawatt (Electric)	The units for electrical power equal to 10^6 Joules per second
MWh	Megawatt hours	A unit of energy that is the equivalent amount of Megawatt power extended for a period of one hour.
	Nameplate Rating	The intended full-load sustained output of a power plant facility
NEFR	National Energy Forecasting Report	AEMOs annual report designed to develop forecasts on a consistent and comparable basis across the National Electricity Market
NEM	National Energy Market	The NEM interconnects five regional market jurisdictions (Queensland, New South Wales, Victoria, South Australia and Tasmania). The NEM involves both wholesale generation that is transported via high voltage transmission lines to electricity distributors, who deliver it to our homes and businesses.
OCGT	Open cycle gas turbine	In the open cycle gas turbine, the heat content of the exhaust gases exiting the turbine is discarded into the atmosphere.
	Peak Generator	Power plants that generally only run when there is high demand for electricity.
	Pool Price	The half-hourly average of the five minute interval wholesale price of electricity in the NEM.
PPA	Power Purchase Agreement	A long-term agreement for the off-take of electricity at pre-determined prices.

PSH	Pumped Storage Hydro generation	A type of hydroelectric energy storage used by electric power systems for load balancing.
PV	Photovoltaic	A power plant which absorbs and directly converts sunlight into electricity
QNI	Queensland to NSW Interconnector	The interconnector that connects the Queensland and NSW transmission networks.
	Reserve Capacity	The amount of reserve capacity required that is deemed necessary to cover expected system peak demand.
RET	Renewable Energy Target	It is a federal policy to ensure at least 20 per cent of Australia's electricity comes from renewable sources by 2020.
	Retired Plant	Generating plant that is no longer in use and has been decommissioned.
SOO	Statement of Opportunity	A publication produced by AEMO which provides an outlook for the supply-demand balance for the NEM system.
SRMC	Short-Run Marginal Cost	The SRMC is the incremental cost incurred from an increment of output (i.e. 1MWh) from the existing generation fleet.
	Spot Price	Five-minute interval price of electricity in the NEM.
V	Volt	The international standardised unit for electric potential or electromotive force.
W	Watt	The international standardised unit for power, defined as one joule per second.

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDUSTRY EXPERT'S REPORT

6 May 2015

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Industry Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $22,000 (inclusive of GST).

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6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

SECTION 10 – INDEPENDENT CONSULTANT'S ELECTRICITY PRICE PROJECTION REPORT

5 May 2015 | REF: JIN 123357

Genex Power

Queensland wholesale electricity and gas price forecasts and their impact on the proposed Pumped-Storage Hydro Power plant

Genex Power

energetics

energetics

QLD WHOLESALE ELECTRICITY PRICE FORECAST REPORT

Project details

Genex Power Contact	Energetics Contact
Michael Addison	Gilles Walgenwitz

Description	Prepared By	Reviewed By	Approved By	Approval Date
Version 1: 1st issue for Genex Power's consideration	Gilles Walgenwitz	Leigh Rostron	Gilles Walgenwitz	04/05/2015
Version 2: with limited amendments	Leigh Rostron/Gilles Walgenwitz	Helen Wetherell	Tony Cooper	5/05/2015

About Energetics

Energetics is a specialist energy and carbon management consultancy. Our experts help clients to:

Be leaders. Develop and implement strategy
Be informed. Make data-driven decisions
Be efficient. Drive business improvement and realise savings
Buy better. Leverage energy supply and carbon markets

BRW CLIENT CHOICE AWARDS 2014 WINNER

2014

- Winners of BRW Client Choice Awards: - Best Professional Services Firm (revenue < $50M) - Best Consulting Engineering Firm (revenue < $50M) - Best value
- Finalists: BRW Client Choice Awards for Best Client Service, Most Friendly and Most Innovative

BRW CLIENT CHOICE AWARDS 2013 FINALIST

2013

- Finalist: BRW Client Choice Award for Best Client Relationship Management
- Finalist: Leading in Sustainability Bankaia Award

2012

- Winner: Australian Business Award for Recommended Employer
- Winner: Australian Business Award for Service Excellence

BRW CLIENT CHOICE AWARDS 2011 WINNER

2011

- Winner: BRW Client Choice Award for Best Value
- Finalists: BRW Client Choice Awards for Exceptional Service, Most Innovative, Outstanding Client Care and Best Consulting Engineering Firm (revenue <$50 Million)

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SECTION 10 - INDEPENDENT CONSULTANT'S ELECTRICITY PRICE PROJECTION REPORT

energetics
QLD WHOLESALE ELECTRICITY PRICE FORECAST REPORT

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1. Background and objectives

Genex Power has commissioned Energetics to develop estimates of future prices in the wholesale electricity market in Queensland, and analyse future gas price scenarios, as part of an assessment of potential profitability for the proposed Pumped-Storage Hydro Power (PSHP) plant.

Electricity use in PSHPs

Electric energy time-shift with a pumped-storage hydro power plant involves purchasing inexpensive electric energy when wholesale market prices are low, to pump water from a reservoir up to another reservoir at a higher elevation. When electricity prices are high, water is released from the upper reservoir through a hydroelectric turbine into the lower reservoir to generate electricity.

The potential incomes from such PSHP plant arise from two sources:

- price arbitrage on the electricity market (buying electricity during hours with low market prices and selling during hours with higher prices)
- network support and control ancillary services (supporting the electricity market operator in controlling frequency, voltage and network loading).

What are the drivers of electricity prices in Queensland?

Wholesale electricity prices are impacted by movements in underlying fuel costs. Electricity generation in Queensland has a low variable cost base (mainly coal-fired generation) for a large amount of capacity, and sharply rising costs when gas-fired generation capacity is required. Peak wholesale electricity prices in Queensland are therefore particularly sensitive to gas prices with gas price projections underpinning the expected future prices in the wholesale electricity market.

Assessing potential profitability

Genex Power is interested in quantifying the difference between the energy cost in pumping (power consumption) and the selling price of hydro power (generation) over time, as price arbitrage revenues will be one of the key measures of the profitability of the proposed PSHP project. The price differential between pumping energy costs (referred hereafter as the "low" wholesale electricity price) and the power selling price (the "high" wholesale electricity price) needs to be large enough to cover, as a minimum, both the energy losses in the process as well as operational and capital costs.

The projections developed by Energetics will also estimate these price differences between average pumping energy cost rate and power selling price rate.

We understand that Genex Power will consider including these estimated projections (charts and tables) in its Investor Prospectus currently under development.

2. Scope

Based on an analysis of future outlooks of the electricity and gas markets in Queensland under different market scenarios, this report provides

- Estimated forecasts of wholesale electricity prices in Queensland for 2017/18 to 2022/23
- Estimated forecasts of wholesale gas prices in Queensland for 2017/18 to 2022/23.

Due to the uncertainties associated with forecasts, Energetics included three future price scenarios under which the potential revenue base can be estimated.

Furthermore, considering the historical volatility of the Regional Reference Price[1] (RRP), we applied a simulation model to estimate the likely high (generation) and low (pumping) pricing forecasts across the 2018 to 2023 period that would align with the medium-case wholesale electricity market price projections. High and low price timings were based on the generating and pumping profile defined in the back test model provided by Genex Power.[2] The pumping and generation pattern defined by Genex Power is detailed in Appendix A.

3. Limitations

Energetics has not conducted its own modelling to derive the future forecasts of wholesale electricity and gas prices in Queensland. We have based our analysis on the most recent publically available sources. Any limitations of these sources will affect the results of our analysis.

High and low prices on the electricity spot market become increasingly dependent on the contribution of intermittent renewable energy sources to the overall power generation mix. For the Queensland market, where solar power has gained ground, this effect is particularly noticeable: solar peak production coincides well with peak system load and has hence shifted the traditional peak time towards late afternoon. The Australian Parliament is currently negotiating changes to the Renewable Energy Target. The future mix of electricity generation may change during the forecast period, therefore impacting wholesale electricity prices.

A number of market analysts, including Energetics own analysts, suggest more extreme price volatility in the near to medium term future with the uptake and integration of more intermittent and less predictable renewable energy sources. On the other hand, peaks of prices could be impacted by the possible future introduction of a Demand Response Mechanism into the NEM.[3] The possible future peak and off-peak price differential is analysed through the application of a simulation model. Rather than forecast possible changes in volatility, Energetics applied the most recent 12 month RRP price data as input to the model to mimic current volatility.

The composition of the electricity generation mix within the time horizon of this study is determined using the current available generation capacity in Queensland, whilst knowing the current limitations of the Queensland to New South Wales interconnector.

4. Methodology

4.1. Methodology for average wholesale electricity and gas price forecasts

Our analysis of future wholesale energy prices in Queensland covers the six-year period from 2017/18 to 2022/23. We have reviewed a number of detailed electricity market modelling studies carried out

[1] As defined by the Australian Energy Market Operator (AEMO) i.e. *spot price at the regional reference node. In* Queensland *this is the* South Pine Substation 275 kV bus.

[2] Addison, M, email, 17 April 2015

[3] Ryan, J, 2015, Demand Response Mechanism Rule Change Request, COAG Energy Council, 25 March 2015

over the most recent years that involved specific jurisdictional approaches. From this review, we derived the wholesale electricity and gas cost projections applicable to the Queensland markets.

Energetics investigated a number of scenarios to reflect current uncertainties about the supply and demand balance, fuel costs, generating plant performance and timing of new generation including renewable generation sources. Wholesale electricity price projections are sensitive to assumed gas prices. We therefore also reviewed the underlying gas price forecasts based on projected demand-supply balance in Eastern Australia.

These wholesale gas and electricity price projections are set out in details in Section 5.1 and Section 5.2 respectively.

Sources of data

Energetics assessed the most recent publically available sources of Queensland wholesale electricity and gas price projections. The sources used are shown in the table below.

Table 1: Sources of electricity and gas price projections

Forecast	Source
Electricity and gas Queensland Medium cases	Independent Economics and Frontier Economics report for AEMO's 2014 National Electricity Forecasting Report: Independent Economics. (2014). Economic and Energy Market Forecasts. Retrieved 22nd April 2015 from http://www.aemo.com.au/Electricity/Planning/Forecasting/National-Electricity-Forecasting-Report/NEFR-Supplementary-Information
Electricity Queensland No carbon case	ACIL Allen Consulting. (2013). Electricity Sector Emissions: Modelling of the Australian Electricity Generation Sector. Retrieved 22nd April 2015 from http://www.environment.gov.au/system/files/resources/5462f51-a20a-4f35-bdd0-d88d6ee5ac4e/files/electricity-sector-emissions.pdf
Gas North Queensland Scenario 3, Sensitivity 3	ACIL Tasman. (2012). Fuel cost projections: Updated natural gas a coal outlook for AEMO modelling. Retrieved 23rd April 2015 from http://www.aemo.com.au/Electricity/Planning/Related-information/2013-Planning-Assumptions
Electricity Queensland Business as usual scenario	ROAM Consulting. (2014). RET policy analysis. Retrieved 23rd April 2015 from http://www.cleanenergycouncil.org.au/policy-advocacy/renewable-energy-target/ret-policy-analysis.html
Gas North-East Queensland	SKM. (2013). Estimating the Impact of Renewable Energy Generation on Retail Prices. Sinclair Knight Merz

These forecasts form the basis of the forecasts provided to Genex Power.

Adjustment to nominal prices

The prices contained in the sources are all real prices. Independent Economics (2014) contained forecasts for Consumer Price Index, which were used to convert price forecasts from all sources to nominal prices.

Development of forecasts for Genex

For each year of the forecast period, Energetics calculated the maximum, minimum and average of the nominal prices across all source data to produce indicative forecasts.

4.2. Methodology for peak and off-peak electricity price projections

A simulation model was developed in order to analyse the price arbitrage potential. The model enables the user to define high price periods (i.e. generation) and low price periods (i.e. pumping) according to a predefined operating strategy of the PSHP plant. The model is further detailed in Figure 1 below.

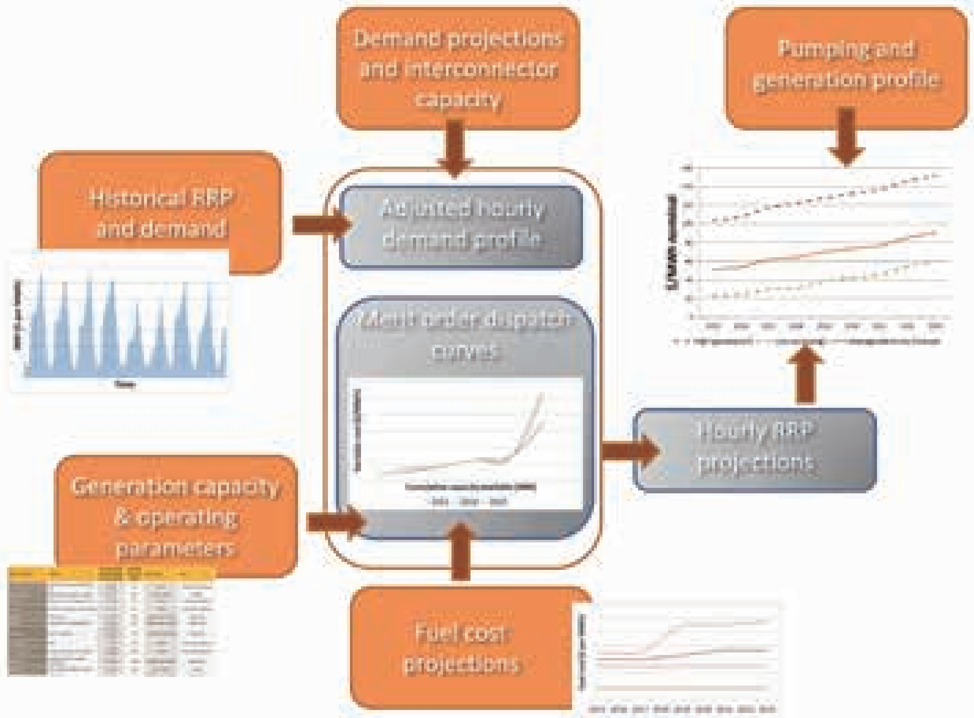

Figure 1: Calculation steps for the development of high (generation) and low (pumping) price estimates

In order to catch the real volatility of the Queensland electricity market only historical data has been used in this analysis. Hourly RRP prices recorded from April 2014 to March 2015, retrieved from AEMO[4] have been fed into the models.

We also used AEMO data to characterise existing generators[5] and to project future electrical demand and sales volume in Queensland market.[6]

[4] Australian Energy Market Operator. 2015. Retrieved 21st April 2015 from http://www.aemo.com.au/Electricity/Data/Price-and-Demand

[5] Australian Energy Market Operator. 2015. Retrieved 21st April 2015 from http://www.aemo.com.au/Electricity/Planning/Related-Information/Generation-Information

Technical parameters and operating costs of power stations as well as current and projected fuel costs were sourced from ACIL Allen.[7]

We assigned projected fuel costs and variable operating costs to each generation technology and applied a system load curve and merit order dispatch to estimate likely changes in wholesale market prices. The pumping and generation profiles set by Genex Power were then applied to develop yearly average high (generation) and low (pumping) prices.

5. Assessing the impact of gas and electricity price forecasts

5.1. Average wholesale gas price forecasts

Three major Liquefied Natural Gas (LNG) terminals are under construction in Queensland:

Table 2: LNG export projects in Queensland

Site	Proponents	Actual or planned practical completion
Queensland Curtis LNG plant	BG Group	December 2014
Santos Gladstone LNG plant	Santos / Petronas / Total / Kogas	End of Q3 2015
Australia Pacific LNG plant	Origin / ConocoPhillips / Sinopec	Train 1: mid 2015 Train 2: end 2015

As a consequence, gas demand in the Eastern Australian market is expected to more than triple by 2030[8] (Balfe, P & Yanes L, 2014), as a direct result of LNG exports. Domestic demand is expected to contract due to price escalation. On the other hand there are significant uncertainties about future coal seam gas (CSG) production. In Queensland cheap CSG resources are committed to LNG exports, but in NSW there are major obstacles to the exploitation of the large resources available, especially the current regulatory settings and the opposition from local communities.

Some analysts predict the risk of a gas production shortfall in 2016 given firm LNG export commitments. With the tight supply, prices are going up as producers seek the best prices for their product; i.e. the export market (with no domestic reservation in sight).

Projections of delivered gas price are based on a number of components with different future price expectations. As international commodity prices increasingly influence domestic prices, LNG netback, (equivalent to Asia-Pacific LNG prices, less shipping, liquefaction, losses and pipeline transport), can be used as the reference point before applying pipeline transport cost differentials between Eastern Australia regions. LNG netback prices are sourced from the International Energy Agency[9].

[6] Australian Energy Market Operator. June 2014. National electricity forecasting report for the National Electricity Market.

[7] ACIL Allen Consulting. June 2014. Fuel and technology cost review – Report to the Australian Energy Market Operator – Final report.

[8] Balfe, P and Yanes L 2014. Eastern Australia's Energy Markets Outlook. ACIL Allen

[9] International Energy Agency. 2013. World Energy Outlook 2013

Figure 2 shows three commodity cost curves corresponding to three supply-demand scenarios (high supply, base supply and low supply). These differences are driven by uncertainties over the impact of LNG exports, the adequacy of gas supply and increasing demand for gas resulting in a ramp up in gas prices.

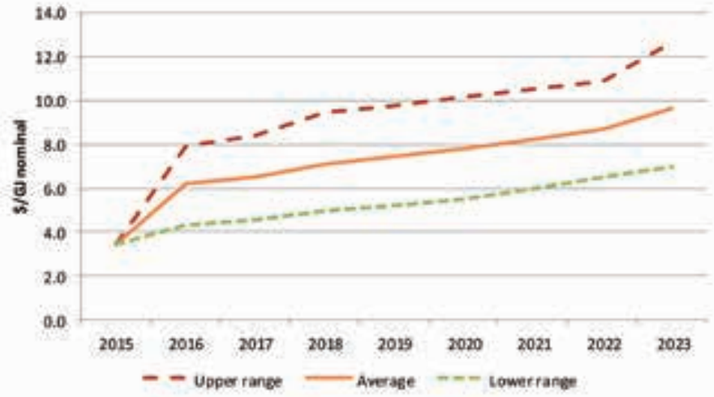

Figure 2: Qld wholesale gas price pathways

Projected annual average gas prices are tabulated below.

Table 3: Projected wholesale gas prices in Queensland (in nominal $ per GJ)

Financial year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Upper range	3.4	7.9	8.4	9.5	9.8	10.1	10.5	10.9	12.7
Average	3.4	6.2	6.5	7.1	7.4	7.8	8.2	8.7	9.7
Lower range	3.4	4.3	4.5	4.9	5.2	5.5	6.0	6.5	7.0

Note that the impact of rising gas prices on the wholesale electricity prices is softened by the dominance of long term contracting, limited short term trading and by an expected reduction in domestic demand.

5.2. Average wholesale electricity price forecasts

Figure 3 shows the wholesale electricity price projections for Queensland derived from the different sources listed in Table 1.

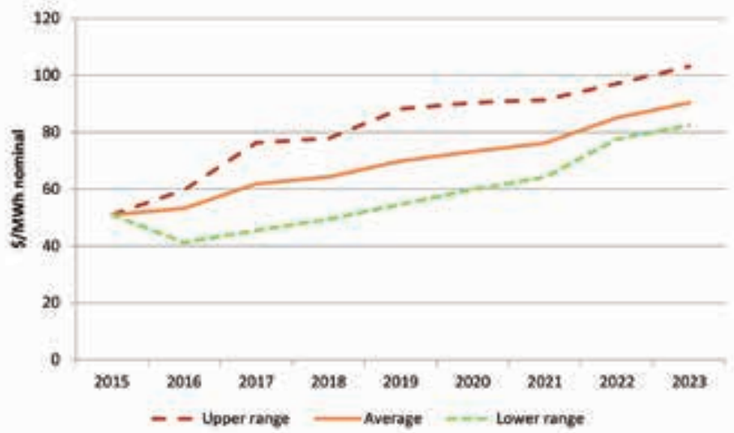

Figure 3: Qld wholesale electricity price pathways

Annual average wholesale electricity prices are further detailed in Table 4.

Table 4: Projected wholesale electricity prices in Queensland (in nominal $ per MWh)

Financial year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Upper range	51	60	78	78	88	90	91	97	103
Average	51	53	62	64	70	73	76	85	90
Lower range	51	41	45	49	55	60	64	78	82

All analysts agree that new thermal generation capacity is not needed until after 2020. However, projections differ around a number of price drivers:

- The demand growth due to the development of the LNG production industry in Curtis Island and its impact on supply adequacy
- The share of renewable energy generation
- Different underlying gas fuel cost projections
- The timing of connection and variable operating cost of new gas-fired power generation capacity.

5.3. High (generation) and low (pumping) electricity price projections

The high and low electricity price projections developed in Energetics' hourly market simulation of the Queensland wholesale electricity market, are summarised in Figure 4. As a reminder, our model

applied high and low price periods corresponding to the generating and pumping hours respectively, as defined by Genex Power in its back test financial model.

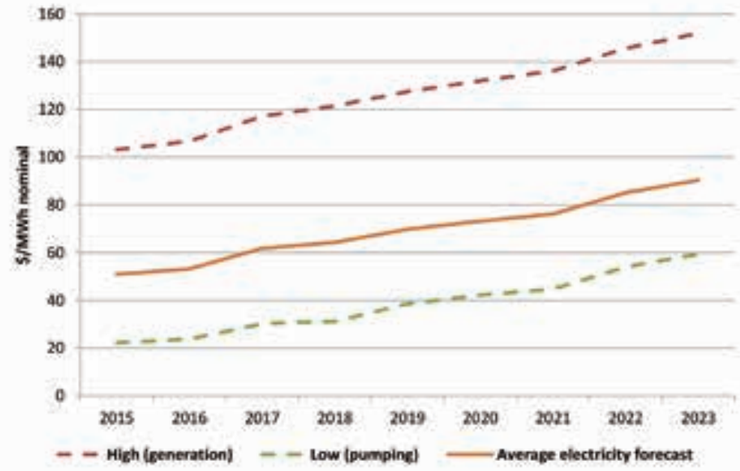

Figure 4: High (generation) and low (pumping) price differential projections (in nominal $ per MWh)

Outputs from the hourly market simulation of the Queensland wholesale electricity market are summarised in Table 5.

Table 5: Projected high (generation) and low (pumping) electricity prices (in nominal $ per MWh)

Financial year	2015	2016	2017	2018	2019	2020	2021	2022	2023
High (generation)	103	107	117	122	127	132	136	146	152
Low (pumping)	22	24	30	31	38	42	45	54	59
Average electricity forecast	51	53	62	64	70	73	76	85	90

Our model shows a gradual increase in the future peak to off-peak price differential in Queensland. A number of underlying factors can explain this trend:

- Increasing gas prices leading to higher operating costs in gas-peaking plants
- A relatively lower increase in coal prices
- Displacement of gas-fired combined cycle gas turbine (CCGT) by coal fired power stations for baseload power generation and conversion of CCGT to Open Cycle Gas Turbine.

As mentioned in Section 3 our model did not include any simulation of possible changes in volatility. In reality, frequency and magnitude of fluctuations in prices are likely to increase over the year with:

- Increasing intermittency due to further integration of renewable energy generation
- The reduction in the reserve margin if no new generation capacity is built and commissioned in time in Queensland.

This expected increase in price volatility may help justify Genex Power's PSHP investment due to the relationship between volatility and revenue from spot price arbitrage.

6. Key findings: support for energy storage for spot price arbitrage

From this review we anticipate:

- The average wholesale electricity price in Queensland is likely to rise above CPI
- A gradual and increasingly advantageous difference between the electricity price paid for pumping and the price received for the electricity generated.
- More extreme price volatility should occur; at least in the short term.

These findings support the business case for energy storage solutions for spot price arbitrage.

Historically the high and low price hours have been rather predictable and Genex Power defined an optimal operating schedule based on this reoccurring pattern. Potential revenue from price arbitrage can then be calculated from the difference in mean price between the pumping hours and the generating hours.

In a future power system, with a larger contribution of renewable energy sources and a possible demand-side bidding mechanism, it will be harder to predict the net load resulting in a less foreseeable electricity price. Price volatility is likely to increase with intermittent generation integration, hence improving Genex Power's PSHP plant profitability, but the changing market conditions will require more predictive analytics and refined forecasting to optimise scheduling.

Appendix A. Pumping and generation profile

Time of day		Pump/generate pattern
00	0.30	
0.30	1.00	
1.00	1.30	Pump
1.30	2.00	Pump
2.00	2.30	Pump
2.30	3.00	Pump
3.00	3.30	Pump
3.30	4.00	Pump
4.00	4.30	Pump
4.30	5.00	Pump
5.00	5.30	Pump
5.30	6.00	Pump
6.00	6.30	
6.30	7.00	Generate
7.00	7.30	
7.30	8.00	
8.00	8.30	Generate
8.30	9.00	
9.00	9.30	
9.30	10.00	
10.00	10.30	Pump
10.30	11.00	
11.00	11.30	Pump
11.30	12.00	
12.00	12.30	
12.30	13.00	
13.00	13.30	
13.30	14.00	Generate
14.00	14.30	Generate
14.30	15.00	Generate
15.00	15.30	Generate
15.30	16.00	Generate
16.00	16.30	Generate
16.30	17.00	Generate
17.00	17.30	Generate
17.30	18.00	Generate
18.00	18.30	
18.30	19.00	Generate
19.00	19.30	
19.30	20.00	

Time of day		Pump/generate pattern
20.00	20.30	
20.30	21.00	
21.00	21.30	
21.30	22.00	Pump
22.00	22.30	
22.30	23.00	Generate
23.00	23.30	
23.30	24.00	

SECTION 10 - INDEPENDENT CONSULTANT'S ELECTRICITY PRICE PROJECTION REPORT

energetics

QLD WHOLESALE ELECTRICITY PRICE FORECAST REPORT

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SECTION 11 – SOLICITOR'S REPORT ON TITLE

McCullough Robertson Lawyers

Tenement report

Genex Power Limited ACN 152 098 854

Dated 25 May 2015

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SECTION 11 - SOLICITOR'S REPORT ON TITLE

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Section A – Executive summary

1 Background

1.1 This Report has been prepared for inclusion in a prospectus to be issued by Genex Power Limited ACN 152 098 854 (**Genex**) to be dated on or about 25 May 2015.

1.2 We have undertaken limited legal due diligence on behalf of Genex in relation to mining lease 3347 (**Tenement**) granted under the *Mineral Resources Act 1989* (Qld) (**MRA**).

1.3 In completing this Report we have undertaken searches of the registers maintained by DNRM, DEHP, NNTT and DATSIP.

1.4 This Report considers the following matters:

(a) the mining related legislation and issues affecting the Tenement (e.g. rights and obligations of the Tenement holder, relevant conditions, renewal process and security requirements and land access);

(b) native title issues and Aboriginal cultural heritage matters; and

(c) relevant environmental legislation and issues affecting the Tenement.

1.5 The material issues identified in this Report in relation to the Tenement are set out below.

2 Material issues

Key issue	Report reference
Overview of the Tenement	
• Kidston Gold Mines Limited (**KGM**), a wholly owned subsidiary of Genex is the registered holder of the Tenement.	• Section 3, Schedule 1
• The Tenement cannot be surrendered under the MRA until the relevant environmental authority for the Tenement has been surrendered. Surrender of the EA will only be achieved once the rehabilitation requirements are met. The timing and cost of meeting these rehabilitation requirements is uncertain.	• Section 3
Land access	
• **Term Lease:** KGM is the lessee from the DEHP (for the State) under a term lease over the area of the Tenement which expires on 5 May 2018. The KGM Term Lease is for 'industrial purposes, namely mining and associated rehabilitation works' and will be liable for forfeiture if it is used for any other purposes.	• Section 4
• **Copperfield Dam Pipeline:** The Copperfield Dam Pipeline traverses the western boundary of the Tenement and connects the Tenement to the Copperfield Dam. Our investigations have not confirmed any secure	• Section 4

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Key issue	Report reference
right of access held by Genex with respect to the Copperfield Dam Pipeline.	
• Raw water for use in mining and rehabilitation operations is sourced from the Copperfield Dam on Lot 2 CPY11. Water licence 44967K authorises that take of water from the Copperfield Dam. We understand that the Water Services Agreement in place between KGM and the State represented by DEWS expired on 30 June 2014 and that, on expiry, KGM is required to decommission the water supply pipeline with a seal flange valve at the Delivery Point and remove it from Lot 2 PY11.	
• There are no registered easements securing ongoing access for Genex to operate, maintain or decommission the Copperfield Dam Pipeline.	• Section 4
Environmental	
• Activities at the Kidston Mine are authorised under EA EMPL00817013 issued on 4 October 2013. The annual fee for the EA is $31,076. There is also an approved plan of operations in place for the period December 2012 to December 2015.	• Section 5
• Section 5.2 of the Plan of Operations for the Kidston Mine states that the financial assurance for the term of the Plan of Operations is assessed at $4,717,717. This calculation has yet to be accepted by DEHP.	• Section 5
• There is a transitional environmental program in place for the Tenement (TEP MAN 17662), which was submitted for the purpose of establishing a mixing zone (or 'exclusion zone') in response to non-compliant discharges into the Copperfield River from site.	• Section 5
Overlapping tenements	
• Mapping indicates that exploration permit for minerals (**EPM**) No. 17077 overlaps the Tenement. However, the Tenement is carved out of the EPM area pursuant to section 132 MRA.	• Section 6
Native title	
• The Tenement was granted in June 1983 prior to the NTA coming into effect in 1994. The grant of the Tenement is a validated past act and native title is not an issue in terms of undertaking mining activities under this tenement.	• Section 7
• In 2011 a term lease was granted over Lot 2 on SP142700 under the *Land Act 1994* (Qld) for 'industrial purposes', namely, for mining and associated rehabilitation works. Our searches indicate that the area of Lot 2 on SP 142700 was registered as a grazing homestead perpetual lease in 1988 under the *Land Act 1962* (Qld). This tenure is known as a 'previous exclusive possession act' under the NTA, and native title is taken to have been extinguished over this area.	• Section 7

Key issue	Report reference
Cultural heritage	
• The Aboriginal party for the area is the Ewamiam People #2 and the Ewamiam People #3.	• Section 8
• The Post-Mine Land Use Plan indicates that an Aboriginal cultural heritage inspection was conducted by members of the Ewamiam People on 26 October 2009 in the vicinity of the western wall of the Tailings Dam. No significant Aboriginal sites or areas were identified.	• Section 8

Section B – Full report

3 The Tenement

3.1 A public enquiry report was obtained from DNRM in relation to the Tenement. The results of that search are summarised at Schedule 1.

3.2 The Tenement was granted in June 1983 (numbered ML 1300 at that time) for a term of 21 years for the purposes of mining and processing of ores and concentrates of gold, silver, copper, lead, zinc, molybdenum, tin, tungsten, iron, sulphur and limestone, storing and transporting of products, storing and disposing of tailings, waste rock and marginal ore, storing of water, erection and administration of buildings, plant and machinery, offices, service facilities, housing and recreational facilities for the workforce and their dependants, construction and maintenance of roads, airstrip, powerlines, pipelines and any other improvements to be used in connection with such purposes, mining of clay for the construction of the foregoing facilities and any other purpose connected with the carrying on of mining and related operations.

3.3 Mining and processing of minerals on the Tenement ceased in June 2001 and rehabilitation earthworks were carried out through to January 2003.

3.4 The Tenement has been renewed until 30 June 2031.

Tenement conditions

3.5 In accordance with section 276 MRA, the Tenement is subject to conditions that:

(a) the holder shall use the area of the Tenement bona fide for the purpose for which the Tenement was granted and in accordance with the MRA and the conditions of the Tenement and for no other purpose;

(b) the holder must carry out improvement restoration for the Tenement;

(c) the holder must:

(i) pay the rental as prescribed (approximately $64,875 per annum);

(ii) pay the royalty as prescribed;

(iii) pay all local government rates and charges lawfully chargeable against the holder in respect of the area of the Tenement (local government rates for 2013-2014 were $372,724); and

(iv) deposit, as required by the Minister any security from time to time under the MRA.

3.6 DNRM advised on 8 May 2015 that there were no instances recorded of non-compliance with the conditions of the Tenement (but did not comment on the EA). This does not mean that there have been no instances of non-compliance, simply that DNRM is not aware of any.

Surrender of the Tenement

3.7 Ministerial consent is required for the Tenement to be surrendered under the MRA. Consent may only be obtained once the EA for the lease has been surrendered. Surrender of the EA may only occur once the rehabilitation requirements are met.

SECTION 11 - SOLICITOR'S REPORT ON TITLE

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3.8 The timing and cost of meeting the rehabilitation requirements is uncertain.

4 Land access

Lease of Tenement area

4.1 Kidston Gold Mines Limited (**KGM**) is the lessee from the DEHP (for the State) of a registered term lease for industrial purposes over Lot 2 SP142700 (**KGM Term Lease**). The area of the KGM Term Lease coincides with the area of the Tenement. The KGM Term Lease commenced on 6 May 2011 and expires on 5 May 2018. The conditions of the KGM Term Lease require that the lessee must use the land for industrial purposes namely mining and associated rehabilitation works. The lease may be forfeited if not used for these purposes.

4.2 The lessee is also required to ensure that all activities undertaken on the leased land which have the potential to pollute or contaminate land and water are carried out in such a manner as to prevent this from occurring.

Copperfield Dam Pipeline Easements

4.3 Raw water for use in mining and rehabilitation operations is sourced from the Copperfield Dam on Lot 2 CPY11. The Copperfield Dam Pipeline connects the Tenement to the Copperfield Dam. The Copperfield Dam Pipeline traverses the western boundary of the Tenement.

4.4 Search results indicate that the background land tenure for the Copperfield Dam Pipeline is:

(a) Lot 6 SP 142700 (grazing homestead perpetual lease) (**Lot 6**) held by Owen Campbell, Darcy Cowan and Juliane Cowan; and

(b) Lot 2698 on SP 166986 (grazing homestead perpetual lease) (**Lot 2698**) held by Loreena, Ronald and Lydia Griffiths and Daryl Oakley Hunt.

4.5 Title searches of Lot 6 and Lot 2698 show that there are no current registered easements on either property. Copies of two unregistered easements were disclosed which relate to the construction, operation and maintenance of a water supply pipeline between the former holder of the Tenement (Placer Austex Pty Limited) and:

(a) Allan James Campbell and John George Campbell – holders of Pastoral Lease 4827 dated 23 October 1981; and

(b) Lance Robert Owen – holder of Miners Homestead Perpetual Lease No. 1573 dated 23 October 1981.

4.6 Ownership of the relevant land has changed since the unregistered easement agreements were entered into and it does not seem that the easements were registered against either title. Our investigations have not identified any secure right of access held by KGM with respect to the Copperfield Dam Pipeline.

5 Environmental

Approvals

5.1 Activities at the Kidston Mine are authorised under EA EMPL00817013 issued on 4 October 2013. The annual fee for the EA is $31,076. There is also an approved plan of operations in place for the period December 2012 to December 2015.

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5.2 It is a condition of the EA that the Tenement holder submit financial assurance to DEHP as calculated in accordance with the Guidelines.

5.3 Section 5.2 of the Plan of Operations for the Kidston Mine states that the financial assurance for the term of the Plan of Operations is assessed at $4,717,717. No financial assurance discount applies as there is a TEP in place for the site. This calculation has yet to be accepted by DEHP. We have been provided with a copy of the Citibank guarantee dated 6 March 2008 for the previously accepted financial assurance calculation under the former Plan of Operations of $3,804,311.70.

5.4 DNRM advised on 8 May 2015 that a financial assurance bond of $3,804,311.70 was lodged on 14 March 2008.

Environmental compliance

5.5 There have been water management issues at site which are the subject of a TEP.

5.6 There is currently a TEP in place for the Tenement (MAN 17662). A TEP is a mechanism under the EP Act through which non-compliant activities are permitted by DEHP for an approved period. TEPs step out the process to be followed to bring operations back into compliance.

5.7 TEP MAN 17662 was developed as a result of previous water releases from Tailings Storage Facility (**TSF**) spillway during February 2013. The TEP was submitted to DEHP in December 2013 for the establishment of a mixing zone for potential discharges into Copperfield River from authorised release points in the EA. Approval for TEP Man 17662 was granted on 11 February 2014 for a term of two years.

5.8 The emphasis of the TEP is to determine sulphate contaminant levels as a result of discharges from the TSF within a mixing zone in the Copperfield River, under different hydrological regimes. Both timing and rates of release from the TSF will influence these results and need to be incorporated into the study to determine the length and size of the mixing zone. It is intended that these results will then inform an appropriate management regime for the releases to remain under set contaminant limits at the prescribed downstream mixing zone.

5.9 The TEP requires continued compliance with the contaminant limits of the current EA.

Rehabilitation

5.10 It is a condition of the Tenement and the EA that the holder undertake improvement restoration of the Tenement. The EA requires that all areas significantly disturbed by mining activities are rehabilitated to a safe, stable, non-polluting landform with a self-sustaining vegetation cover in accordance with the specified rehabilitation requirements for particular disturbed areas.

5.11 Condition F5 of the EA requires that residual voids must not cause any serious environmental harm to land, surface waters or any recognised groundwater aquifer other than the environmental harm constituted by the existence of the residual void itself and subject to any other condition within this EA.

5.12 A Post Mine Land Use Plan has been included in the Plan of Operations for the Tenement, in accordance with condition F10 of the EA. The Post-Mine Land Use Plan is designed to address how each of the rehabilitation objectives for the mine will be met and provides closure criteria specific to the Kidston Gold Mine, against which verification of rehabilitation success is to be determined (condition F9).

6 Overlapping tenements

6.1 Mapping indicates that exploration permit for minerals (**EPM**) no. 17077 overlaps the Tenement. However, the Tenement is carved out of the EPM area pursuant to section 132 of the MRA.

6.2 DNRM advised on 8 May 2015 that no copies of entry notices or notices of intention to negotiate conduct and compensation agreements had been lodged in relation to the Tenement.

7 Native title

Overview of Native Title Act

7.1 The NTA provides for, among other things:

(a) mechanisms for the recognition and protection of native title;

(b) the validation of certain acts (such as the grant of titles) which would otherwise be invalid because of their effect on native title;

(c) the extinguishing effect of certain acts;

(d) the establishment of ways in which future dealings affecting native title may proceed (future act procedures including the right to negotiate process); and

(e) compensation for impairment of extinguishment of native title rights and interests.

7.2 The NTA only applies to land in respect of which native title rights and interests have not been extinguished by previous 'extinguishing acts'.

7.3 To ascertain whether native title is an issue, it is first necessary to ascertain if there is a current or former land tenure (e.g. freehold) or use made of the land (e.g. the construction of a sealed road) which has already extinguished native title. If there is such current or former land tenure or use made of the land, there is no further need to consider the provisions of the NTA. Conversely, in the absence of a current or former land tenure or use made of the land which would have already extinguished native title, it is necessary to comply with the provisions of the NTA.

Native title over the Tenement

7.4 The Tenement was granted in June 1983 prior to the NTA coming into effect in 1994. The grant of the Tenement is a validated past act and native title is not an issue in terms of undertaking mining activities under this Tenement.

7.5 In 2011 a term lease was granted over Lot 2 on SP142700 under the *Land Act 1994* (Qld) for 'industrial purposes', namely, for mining and associated rehabilitation works. The lease was granted in 2011 and, accordingly, was considered a future act at the time of grant and, if native title had not been extinguished by a previous tenure, would needed to have dealt with native title prior to being registered.

7.6 Our searches indicate that the area of Lot 2 on SP 142700 was registered as a grazing homestead perpetual lease in 1988 under the *Land Act 1962* (Qld). This tenure is known as a 'previous exclusive possession act' under the NTA, and native title is taken to have been extinguished over this area.

8 Cultural heritage

Overview

8.1 The *Aboriginal Cultural Heritage Act 2003* (Qld) (**ACHA**) commenced on 16 April 2004, after mining operations had ceased on the Tenement. The ACHA provides for the recognition, protection and conservation of Aboriginal cultural heritage. It introduces a duty of care of all persons to protect Aboriginal cultural heritage when carrying out its activities.

8.2 The Aboriginal party for the area is the Ewamiam People #2 and the Ewamiam People #3.

Aboriginal sites

8.3 The Post-Mine Land Use Plan indicates that an Aboriginal cultural heritage inspection was conducted by members of the Ewamiuan People on 26 October 2009 in the vicinity of the western wall of the Tailings Dam. No significant Aboriginal sites or areas were identified.

8.4 DATSIMA confirmed on 6 May 2015 that there are no registered sites of Aboriginal heritage in the Tenement area. However, this is by no means an indication that there are no Aboriginal cultural heritage sites or objects within the Tenement area and may reflect a lack of previous cultural heritage surveys in the area.

8.5 No other known archaeological or Aboriginal cultural heritage surveys have been conducted in the vicinity of the Tenement. Given that most of the areas were already significantly disturbed prior to the introduction of the ACHA, it is likely that any new activities on the Tenement area will not require cultural heritage clearance as any items or artefacts of significance are likely to have been destroyed already. However, in the event that areas that are not disturbed are to be subject to disturbance in the future, the duty of care must be complied with in undertaking these activities.

Queensland Heritage

8.6 We have not considered the *Queensland Heritage Act 1982* (Qld) in the preparation of this Report.

Section C – Definitions

Term	Meaning
ACHA	*Aboriginal Cultural Heritage Act 2003* (Qld).
Copperfield Dam Pipeline	water supply pipeline which connects the Copperfield Dam to the Tenement.
DATSIMA	Department of Aboriginal and Torres Strait Islander Partnership.
DEHP	Department of Environment and Heritage Protection.
DEWS	Department of Energy and Water Supply
Directors	the directors of Genex Power Limited ACN 152 098 854.
DNRM	Department of Natural Resources and Mines.
EA	environmental authority.
EP Act	*Environmental Protection Act 1994* (Qld).
EPM	exploration permit for minerals.
Genex	Genex Power Limited ACN 152 098 854.
KGM	Kidston Gold Mines Limited.
KGM Term Lease	the term lease over the area of the Tenement held by KGM.
McCullough Robertson	McCullough Robertson Lawyers of Level 11, Central Plaza 2, 66 Eagle Street, Brisbane, Queensland.
MRA	*Mineral Resources Act 1989* (Qld).
ML	a mining lease issued under the Mining Act.
NNTT	National Native Title Tribunal.
NTA	*Native Title Act 1993* (Cth).
Report	this tenement report.
Tenement	means ML 3347.
TEP	transitional environmental program.
TSF	Tailings Storage Facility.

Section D – Methodology and scope

9 Purpose of Tenement Report

9.1 McCullough Robertson has been engaged by Genex to prepare an independent solicitors report for the Tenement.

9.2 Investigations have been conducted to identify and consider key legal issues relating to the grant, approval and ongoing compliance of the Tenement which could have a material impact on the Tenement. This Report does not highlight all matters which might operate to the prejudice of Genex.

9.3 This Report does not comment on the commercial viability of the Tenement or other arrangements reviewed by McCullough Robertson.

9.4 In giving this Report, McCullough Robertson is not operating under an Australian financial services licence. McCullough Robertson has no direct or indirect interest in Genex, any of its related bodies corporate, their businesses or the outcome of any potential capital raising by Genex. McCullough Robertson has received standard professional fees for all work performed for Genex, including the preparation of this Report.

10 Scope of Report

10.1 McCullough Robertson has conducted the investigations described in this Report, and in particular, has relied upon the results of public searches which could be obtained on or before 25 May 2015 in respect of:

(a) tenement conditions;

(b) land access issues;

(c) the overlapping tenure regime;

(d) environmental issues;

(e) native title issues; and

(f) cultural heritage issues,

as they apply to the Tenement, in setting out the responses in Section B of the Report in relation to the matters described above. We have not been informed of any changes since that date.

10.2 In addition to the publicly available information, McCullough Robertson has reviewed some limited material provided by Genex.

10.3 The scope of this Report is limited to the matters listed in paragraph 10.1 and we have not been required to consider or provide any report on any other matters. We have not considered and do not provide any report on the following matters whether in relation to the Tenement or otherwise:

(a) corporate structure of Genex;

(b) commercial issues which may affect the Tenement (including royalty interests) or the proposed project;

(c) Personal Property Securities Register issues;

(d) litigation involving Genex;

(e) financial, tax or accounting issues;

(f) technical, geotechnical and operational issues;

(g) intellectual property;

(h) information technology;

(i) employment;

(j) trade practices; or

(k) Queensland Heritage issues.

10.4 McCullough Robertson has conducted the due diligence investigations described in this Report in respect of the Tenement. These investigations have been conducted on behalf of Genex in order to provide and identify key Australian legal issues that could have a material impact on the Tenement. This Report does not highlight all matters which might operate to the prejudice of Genex. In addition, McCullough Robertson has not considered the Tenement and related approvals in the context of any proposed use of the Tenement or the term lease by KGM.

10.5 While Genex may rely on this Report, it has been prepared specifically for these purposes and not with a view to analysing specific issues or matters which may be relevant to any other interested parties. We do not accept any liability in connection with this Report to anyone other than Genex.

10.6 This Report does not comment on the commercial viability of the Tenement or other arrangements reviewed by McCullough Robertson.

11 Qualifications and assumptions

11.1 The opinions which we have expressed in this Report are based on and qualified by the following matters.

11.2 We express no opinion on:

(a) any financial, business, statistical, accounting or taxation information or other non-legal matters;

(b) any statements or opinions about future matters or prospects; and

(c) the adequacy of any assumption on which the statements or opinions referred to in paragraph 11.2(b) are based.

11.3 We have assumed:

(a) the completeness and accuracy in relation to matters of fact and opinion of all material or information given to us by officers of Genex and experts engaged by Genex;

(b) that the responses to the questions which have been put to officers of Genex have been true and accurate in all material respects;

(c) that the persons interviewed have made complete and accurate disclosure of all material matters;

(d) that all persons interviewed as part of the due diligence process were competent to answer questions and that there were no other persons who should have been interviewed in relation to those questions;

(e) that each of the Directors and, within their respective areas of responsibility, each expert or adviser involved in the due diligence process, has raised any questions and made all such enquires as can reasonably be expected of that person or entity;

(f) the authenticity of all seals and signatures and of any stamp duty or marking and the completeness and the conformity to original documents or instruments of all copies examined by us and that any facts which may give reason to question the validity, continuing effectiveness or lawfulness of any document or instrument have been drawn to our attention;

(g) that the documents examined by us are within the capacity and powers of, and have been validly authorised, executed and delivered by and are binding on the signatories to them;

(h) that insofar as any obligations under any document examined by us are to be performed in any jurisdiction outside Australia, their performance will not be illegal nor ineffective by virtue of the law of that jurisdiction;

(i) the accuracy of all certificates and opinions given by external advisers of the Seller in relation to the documents examined by us;

(j) that all factual matters stated in any document are materially true and correct;

(k) that there were no documents other than those which were disclosed to us which related to the items which we examined; and

(l) the details revealed in searches of registers kept by governmental departments or authorities have been properly and accurately recorded and maintained.

11.4 Except where otherwise noted in this Report, nothing has come to our attention to lead us to believe that the above assumptions are not correct but we have not made any independent investigation about the matters the subject of such assumptions.

11.5 We have not conducted enquiries in relation to Tenement related matters beyond the limited scope of work described in this Report.

11.6 We take no responsibility for the completeness or accuracy of the investigations of the officers of Genex or of other advisers or experts engaged by Genex (although we are not aware of any information which would cause us to believe that those investigations have not been complete or accurate).

11.7 If any of the qualifications or assumptions set out in this section are not correct, the opinions we have expressed in this Report will need to be re-examined and may need to be varied.

11.8 We have not conducted enquiries in relation to legal matters beyond the limited scope of work described in this Report.

11.9 The opinions in this Report:

(a) relate only to the Prospectus and do not relate to:

(i) any document which may be issued in connection with any offer in any other jurisdiction (other than Australia) which Genex proposes to make contemporaneously with the issue of the Prospectus; or

(ii) additional documents or statements about Genex or the Prospectus that may be made by any person or any other conduct that any person may engage in concerning the Prospectus; and

(b) are strictly limited to the matters stated in the Report and do not apply by implication to any other matters.

11.10 Except where specifically indicated to the contrary, the source of all of the information on which this Report is based is material provided by Genex. We have not been able to independently verify the accuracy of that information. Similarly we have relied on Genex to identify to us the potentially material contracts.

12 Opinion only relates to Australian law

This Report relates only to the laws of the Australian States and Territories and Commonwealth of Australia as at the date of this Report and is given on the basis that it will be construed as required by those laws.

13 Date of Report

The Report is based on information within the possession of McCullough Robertson at 25 May 2015.

Signed by:

Tim Hanmore
Partner

Signed by:

Damien Clarke
Partner

Dated: 25 May 2015

Schedule 1

Tenement Information

Issue	Details
Tenement number	• ML 3347
Status	• Granted
Registered Holders	• Kidston Gold Mines Limited
Date of grant	• 9 June 1983
Expiry date	• 30 June 2031
Term	• 20 years
Mineral	• Zinc ore • Silver ore; • Gold; • Copper ore; • Iron ore; • Lime/limestone • Molybdenum; • Lead ore • Sulphur • Tin Ore • Tungsten/Wolfram/Scheelite
Purposes	• Mining • Rock-crushed/screened • Stockpile ore/overburden • Transport/conveyor/vehicular • Water supply • Airstrip • Living quarters/camp • Pipeline – water/slurry • Power lines/aerials
Overlapping tenements	• No
Whether validly granted (e.g. native title, landowner compensation, statutory processes etc.)	• Yes
Land included in/excluded from the tenement, including	• Lot 2 SP142700 • Lot 6 CP889661

SECTION 11 - SOLICITOR'S REPORT ON TITLE

Lawyers | McCullough Robertson

Issue	Details
identification of surface and non-surface land	
Timing for grant of renewals and whether any impediments to or restrictions upon grant/renewal	• No impediments to renewal • Impediments to surrender or relinquishment of ML 3347 include rehabilitation to a standard DEHP is satisfied with.
Annual rental (including confirmation of payment)	• $64,875
Performance bond/Security guarantee	• $4,717,717
Encumbrances and other notations on the register (if any)	• N/A
Royalty payments	• N/A
Any agreements recorded on the title	• N/A

SECTION 12 - INVESTIGATING ACCOUNTANT'S REPORT

William Buck

29 May 2015

The Directors
Genex Power Limited
Level 11, 2 Bligh Street
Sydney NSW 2000

Dear Sirs

Genex Power Limited - Investigating Accountant's Report

1. Introduction

This Report has been prepared by William Buck Corporate Advisory Services (NSW) Pty Limited ("**William Buck**") for inclusion in the Prospectus to be dated on or about 29 May 2015 (the "**Prospectus**") relating to the offer ("**Offer**") by Genex Power Limited ("**Genex**" or the "**Company**") for the issue of 40,000,000 fully paid ordinary shares at an issue price of $0.20 per share and 20,000,000 attaching loyalty options ("**Loyalty Options**") to raise to $8,000,000 before the costs of the Offer.

The Company reserves the right not to proceed with the offer at any time prior to the allotment of shares to applicants. If the offer does not proceed, application monies will be refunded and interest will not be paid on this money.

Morgans Corporate Limited is the underwriter of the Offer.

All terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

2. Background

Genex is an energy company focused on the development of power generation projects in Australia. The Company is currently advancing the Kidston Pumped Storage Hydroelectric Project located at the site of the former Kidston Gold Mine in far North Queensland. Genex acquired the Kidston Gold Mine from Barrick Gold Corporation in June 2014 and is now seeking to complete a full feasibility study and apply for various project construction approvals.

3. Financial Information

This Report deals with the financial information included in Section 8 of the Prospectus (the "**Financial Information**") which comprises:

- the historical pro-forma statements of comprehensive income for the years ended 31 December 2012, 31 December 2013 and 31 December 2014;
- the historical balance sheet as at 31 December 2014; and
- the pro-forma balance sheet as at 31 December 2014.

CHARTERED ACCOUNTANTS & ADVISORS
Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW 2000
Telephone: +61 2 8263 4000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150
PO Box 19
Parramatta NSW 2124
Telephone: +61 2 9630 1500
williambuck.com

Praxity

William Buck

The Financial Information has been prepared to illustrate the pro-forma historical profitability of the Company and the pro-forma financial position of the Company on completion of the Offer and has been prepared on the basis of the assumptions and material accounting policies as set out in Section 8.5 of the Prospectus.

The Directors of the Company are responsible for the preparation and presentation of the Financial Information including the assumptions and material accounting policies on which they are based.

We disclaim any responsibility for any reliance on this Report or the Financial Information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

4. Scope

We have conducted an independent review of the Financial Information included in Section 8 of the Prospectus in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Information is not presented fairly in accordance with the assumptions and material accounting policies adopted and summarised in Section 8.5 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standards on Review Engagements ("**ASRE**") 2405 'Review of Historical Information other than a Financial Report" and guidance provided in Australian Standard on Assurance Engagements ("**ASAE**") 3450 "Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, which were limited primarily to:

a) a review of the historical pro-forma statements of comprehensive income for the years ended 31 December 2012, 31 December 2013 and 31 December 2014;

b) analytical procedures on the pro-forma statement of financial position;

c) a review of working papers, accounting records and other documents including consolidation;

d) a review of relevant working papers detailing the pro-forma adjustments, the assumptions on which they were made and other supporting documentation, as appropriate;

e) a comparison of consistency in application of the recognition and measurement principles prescribed in Australian Accounting Standards, Australian Accounting Interpretations, other mandatory or authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 and the accounting policies adopted by the Company as disclosed in Section 8.5 of the Prospectus; and

f) enquiries with the Company's Directors, management and advisors.

The procedures undertaken do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

5. Review Statement on Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

a) the historical Financial Information is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards, Australian Accounting Interpretations, other mandatory or authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 and the accounting policies adopted by the Company;

b) the pro-forma Financial Information has not been properly prepared on the basis of the pro-forma transactions so as to present fairly the Financial Information of the Company; and

c) the assumptions and material accounting policies adopted and summarised in Section 8 of the Prospectus do not form a reasonable basis for the preparation of the Financial Information as set out in Section 8 of the Prospectus.

6. Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comments on, or adjustments to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Sources of Information

We have made enquiries of the Directors of the Company and other parties as considered necessary during the course of our review. We have also referred to the Prospectus and material documents which relate to the operations of the Company.

We have no reason to believe that the information supplied is not reliable.

8. Declarations

William Buck has prepared this Report for inclusion in the Prospectus. We have not acted in any other capacity in relation to the Prospectus, and have not been involved in the preparation of any part thereof.

William Buck Chartered Accountants, an entity associated with William Buck, has provided audit services to the Company for which professional fees at standard market rates are received.

William Buck does not have any interest in the outcome of the Offer other than a fee in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received. No pecuniary or other benefit, direct or indirect, has been received by William Buck for or in connection with the making of this Report.

This Report has been prepared by Mark Calvetti and Leo Tutt of William Buck.

Other than as disclosed above, no William Buck staff involved with the preparation of this Report have, at the date of this Report, an interest in or financial relationship with Genex.

William Buck has consented to the inclusion of this Report in the Prospectus in the form and context it appears. At the date of this Report, this consent has not been withdrawn. William Buck has not authorised the issue of the Prospectus and accordingly makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Yours faithfully

William Buck Corporate Advisory Services (NSW) Pty Limited
ABN 50 133 845 637
Authorised Representative No. 333393
AFSL 240769

Mark Calvetti
Director

Leo Tutt
Director

William Buck

Financial Services Guide

Dated 29 May 2015

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("**William Buck**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an authorised representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide as an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial Services We are Licensed to Provide

We are an authorised representative of William Buck Financial Services (NSW) Pty Ltd who holds an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - basic deposit products;
  - deposit products other than basic deposit products;
- derivatives limited to old law securities options contracts and warrants;
- debentures, stocks or bonds issued or proposed to be issued by a government;
- life products including:
  - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
  - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
- interests in managed investment schemes including investor directed portfolio services;
- retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997);
- securities; and
- superannuation.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an authorised representative of a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits That We May Receive

Our fees for providing this report are approximately $17,000 (excluding GST), as agreed with, and paid by, the person who engaged us to provide the report.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or Other Benefits Received by Our Employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

William Buck

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

Associations and Relationships

From time to time William Buck may provide professional services including financial advisory services to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal Complaints Resolution Process

As an authorised representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001, or by telephone on 1300 780 808 or by facsimile on (03) 9613 6399.

Professional Indemnity Insurance

William Buck has professional indemnity insurance in place which covers any work done by us, as an authorised representative of William Buck Financial Services (NSW) Pty Ltd and by representatives / employees after they cease to work for us. The compensation arrangements we have in place comply with sec.912B of the Corporations Act.

Contact Details

You may contact us at William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000 or by telephone on (02) 8263 4000

SECTION 13 – MATERIAL CONTRACTS

This Section contains a summary of contracts which have been entered into by the Company and which have been identified as being material and relevant to potential investors in the Company.

Copies of all material contracts, the Constitution of the Company and consents referred to in this Section may be inspected, free of charge, at the registered office of the Company during normal business hours.

Kidston Gold Mines Limited Share Sale Agreement

On 1 May 2014, Genex (Kidston) Pty Limited (being a wholly-owned subsidiary of the Company) (**Genex Kidston**) and Barrick Gold Corporation (**Seller**) entered into a Share Sale Agreement (**Agreement**), pursuant to which the Seller agreed to sell and Genex Kidston agreed to purchase all of the shares in KGML held by the Seller. The Agreement has been amended twice by Deed of Amendment (dated 15 October 2014 and 7 May 2015 respectively) in order to reflect changes to the timing of the release of Environmental Bonds by Genex Kidston as described further below. The Agreement incorporates and should be read together with the Deed of Amendment.

Completion of the transfer of shares in KGML under the Agreement occurred on 4 June 2014.

Environmental Bonds

Pursuant to the Agreement, Genex Kidston agreed to procure the release of environmental bonds (**Environmental Bonds**) which have been lodged or issued on behalf of KGML with the Department of Natural Resources and Mines for the State of Queensland in relation to the Tenement.

Genex Kidston must procure the release of the Environmental Bonds in accordance with the following schedule:

a. in full, prior to commencing any tunnelling, raising bore work or any other works which would cause land disturbance in excess of $500,000 worth of remediation liability (as reasonably determined in accordance with Appendix B of the Guideline to Financial Assurance under the Environmental Protection Act 1994 (Qld)) on the property; or

b. if no works have commenced in the manner described in (a), then:

   i. by no later than 15 August 2015, Genex Kidston must procure the release of Bonds having a cumulative value of no less than $3,000,000. In consideration for the variation of the date of release of the Environmental Bonds by Deed of Variation dated 7 May 2015, Genex Kidston has also agreed to pay the Seller interest for the period 1 July 2015 to 15 August 2015 at the prescribed rate of 0.6% per annum; and

   ii. by no later than 31 December 2015, Genex Kidston must procure the release of all of the Environmental Bonds.

Genex Kidston indemnifies the Seller from any costs arising from or in connection with any amount of any Environmental Bond being demanded, paid, called upon or otherwise drawn down by any government agency.

If from time to time a government agency requires any additional bonds to be lodged on behalf of KGML in relation to the Tenement or the amount of any existing Environmental Bond to be increased, the Buyer must procure the provision of such additional bonds.

Remediation indemnity

Genex Kidston indemnifies the Seller against any costs arising from or in connection with any environmental clean-up or remediation activities in relation to the property occurring or existing before or after the date of completion.

Warranties

The Agreement contains additional provisions, including warranties which are customary for an agreement of this nature.

Term Lease over the Kidston Site

A summary of the Tem Lease is provided in Section 4 of the Solicitor's Report on Title.

Mining Lease over the Kidston Site

A summary of the Mining Lease is provided in Section 3 of the Solicitor's Report on Title.

Kidston Site Environmental Authority

A summary of the Kidston Site Environmental Authority is provided in Section 5 of the Solicitor's Report on Title.

Water Services Agreement

On 5 June 2014, Kidston Gold Mines Limited (Kidston) entered into a water services agreement (**Water Services Agreement**) with the State of Queensland (represented by the Department of Energy and Water Supply) (**State**) for the supply of water for the period 1 July 2014 to 30 June 2015.

Key Conditions

The key conditions of the Water Services Agreement provide for the following:

- (**Supply**) the supply of water to Kidston by the State up to a quantity of 4,650 megalitres per year;
- (**Water Charge**) Kidston must pay the State the amount of $144,000 in respect of the supply of water;
- (**Permitted use**) Kidston is only permitted to use the water for the purposes permitted under water licence 44967K;
- (**Maintenance**) Kidston is required to maintain the water supply pipeline in a good and safe condition; and
- (**Decommission of pipeline**) at the end of the term of the agreement, Kidston must decommission the water supply pipeline with a seal flange valve to the reasonable satisfaction of the State and remove it from the area within 6 months of receiving written notice from the State to do so.

Termination

Either party may terminate the agreement upon notice of a default of a provision of the agreement and the subsequent failure of the other party to remedy that default within 30 days.

Kidston may terminate the agreement by giving the State 7 business days' written notice of its intention to do so, in which case Kidston will be entitled to a pro-rata refund of the water service charged based on the actual amount of water used.

Convertible Note Agreement

On 21 April 2015, the Company and Zhefu entered into a Convertible Note Agreement pursuant to which Zhefu agreed to subscribe for a Convertible Note issued by the Company.

The key terms of the Convertible Note Agreement are as follows:

- (**Subscription Price**) Zhefu paid $3,788,600 to the Company in consideration for being issued the Convertible Note.
- (**Conversion**) The Convertible Note automatically converts into 23,678,750 Shares at an issue price of $0.16 each on the listing of the Company on the Official List.
- (**Top Up Obligation**) Zhefu must apply for and the Company must allocate additional Shares under the Offer such that on the listing of the Company on ASX following the Offer, Zhefu will hold 20% of the Shares.
- (**Supplier Contract**) Genex has agreed that Zhefu will participate in the tender process for the supply of mechanical and electrical equipment to the Company for the Kidston Project. The successful tender must satisfy certain technical and design requirements specified by the Company in relation to price, payment terms, supply timetable, design warranty and financial capacity of the supplier.
- (**Appointment of a nominee Director**) Provided that Zhefu does not dispose of any Shares (other than to another member of the Zhefu group) during the 24 month period after the Offer closes, Zhefu is entitled to nominate one person to be appointed as a director of the Company. The nominee director must have the requisite skill, knowledge and experience to properly perform his or her duties as a director of the Company. The current nominee Director is Mr. Yongqing Yu.

Agreement with Sponsoring Broker and Underwriter

On 28 May 2015, the Company entered into an Underwriting Agreement with Morgans to act as manager and to underwrite the Shares and Loyalty Options the subject of the Offer on the terms of the Underwriting Agreement.

The terms of the Underwriting Agreement are customary for the size and risk associated with the transaction proposed under the Offer. The following is a summary of the key provisions of the Underwriting Agreement.

- (**Fees and expenses**) The Company must pay Morgans a management fee of 2.0% (excluding GST) of the gross amount raised under the Offer and an underwriting fee of 4.0% (excluding GST) of the gross amount raised under the Offer. The Company must also reimburse Morgans' legal costs incurred in respect of the Offer up to $20,000 as well as all other reasonably incurred out of pocket expenses.

Copperfield Dam

- (**Conditions precedent**) The obligations of Morgans under the Underwriting Agreement are conditional on the occurrence of certain events, including but not limited to the completion of the due diligence process in respect of the Offer to the satisfaction of Morgans, the lodgement of the Prospectus with ASIC in a form acceptable to Morgans and Zhefu has lodged a Valid Application for not less than 20% of the Shares and Options to be issued under the Offer and has paid to the Company, in cleared funds, the Offer Price for such Shares and Options.
- (**Warranties and undertakings**) Customary warranties and undertakings are given by the Company in relation to matters such as the power to enter into the Underwriting Agreement, corporate authority and approvals and the Company's compliance with the Corporations Act and ASX Listing Rules in relation to the Offer. The Company has given a number of further warranties and undertakings, including that this Prospectus and related public information do not contain any misleading or deceptive statements and will comply with applicable laws, and that the Company will not, for a period of 6 months from the date of issue of Shares under the Offer, issue any further Shares or any other securities without the prior written consent of Morgans.
- (**Indemnity**) The Company agrees to indemnify Morgans (including its directors, officers, partners, employees, agents, advisers and related bodies corporate) (Indemnified Parties) for any claims, losses, damages, proceedings, liabilities, costs or expenses sustained by the Indemnified Parties directly as a result of, among other things, any statement, misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from the Prospectus or any document accompanying the Prospectus, the performance by Morgans of the services contemplated by the Underwriting Agreement, the making of the Offer, any Inquiries undertaken by ASIC, ASX any other regulatory body, or a breach by the Company in respect of its obligations under the Underwriting Agreement. The indemnity will not apply where the claims, losses, damages, proceedings, liabilities, costs or expenses incurred as a result of the fraud, gross negligence or wilful misconduct of the Indemnified Party.
- (**Termination events**) Morgans may, at any time by notice given to the Company, immediately terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to the following events:
  - (**failure to lodge Prospectus**) The Company fails to lodge the Prospectus with ASIC in a form approved by Morgans.
  - (**disclosures in Prospectus**) A statement contained in the Prospectus is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Prospectus.
  - (**Prospectus does not comply**) The Prospectus does not comply with:
    - the Corporations Act (including sections 710, 711 and 716);
    - the ASX Listing Rules; or
    - any other applicable law.
  - (**forecast incapable of being met**) Any forecast or forward looking statement in the Prospectus becomes incapable of being met or unlikely to be met in the projected time.

- (**ASX approval**) Unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:
  - the Company's admission to the official list of ASX; or
  - the official quotation of all of the Shares on ASX,

  on or before the ASX approval date, or if granted, the ASX Approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX indicates to the Company or Morgans that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld.
- (**withdrawal**) The Company withdraws the Prospectus or any supplementary Prospectus or the Offer.
- (**supplementary or replacement prospectus**) Morgans reasonably forms the view that a Supplementary Prospectus must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a Supplementary Prospectus with ASIC in the form and with the content, and within the time, reasonably required by Morgans.
- (**new circumstance**) A new circumstance occurs in relation to the Company that has arisen since the Prospectus was lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged with ASIC and which is materially adverse from the point of view of an investor within the meaning of section 719 of the Corporations Act.
- (**Government Agency action**) ASIC or any other Government Agency commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Offer Documents.
- (**Proceedings – persons other than ASIC**) A person other than ASIC or any other Government Agency commences any inquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Offer Documents.
- (**regulatory action**) Any of the following occurs:
  - ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, the Prospectus or other Offer Documents, and the application is not dismissed or withdrawn before the date the Offer Securities are allotted;
  - ASIC gives notice of intention to hold a hearing in relation to the Offer or the Prospectus or other Offer Documents under section 739(2) of the Corporations Act or makes an order under section 731 of the Corporations Act or an interim order under section 739(3) of the Corporations Act; or
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or the Prospectus or other Offer Documents or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or other Offer Documents.
- (**consent withdrawn**) Any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus (or any replacement or Supplementary Prospectus) withdraws that consent.

- (**notice under section 730**) Any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus.
- (**market fall**) At any time before Completion, either the S&P/ASX 200 index or the All Ordinaries index closes at a level that is 10% or more below the level of that index at 5.00pm (Sydney time) on the trading day immediately prior to the date of this Agreement.
- (**Timetable delay**) Any event set out in the timetable in the Prospectus is delayed for more than three business days, unless Morgans consents to a variation (which consent must not be unreasonably withheld or delayed).
- (**repayment of Application Moneys**) Any circumstance arises after lodgement of the Prospectus that results in the Company (as the case may be) either repaying the application money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Securities and be repaid their application moneys.
- (**breach of Material Contract**) There is a material breach of a material contract.
- (**Certificate not provided**) The Company does not provide a certificate as and when required by this Agreement.
- (**insolvency**) One of the following events occurs with respect to the Company or any other member of the Group:
    - an insolvency event occurs;
    - a receiver, receiver and manager, administrator, trustee or similar official is appointed over any of their assets or undertaking;
    - the Company is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act or any one of them may be presumed to be insolvent under section 459C of the Corporations Act;
    - the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
    - an application or order is made for the winding up, deregistration or dissolution of, or the appointment of a provisional liquidator to the Company or a resolution is passed or steps are taken to pass a resolution for the winding up, deregistration or dissolution of the Company otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of Morgans; or
    - an administrator is appointed in relation to the Company under Division 2 of Part 5.3A of the Corporations Act.
- (**failure to issue**) The Company is or becomes unable, for any reason, to issue the Offer Securities on Completion.
- (**Restriction Agreements**) any of the Restriction Agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with, without the consent of Morgans, such consent not to be unreasonably withheld.

- (**directors**) Any of the following occur:
    - a director of the Company is charged with an indictable offence relating to a financial or corporate matter;
    - any governmental agency or regulatory body commences any public action against a Group Member, or any of its directors of the Company, or announces that it intends to take such action;
    - any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.
    - a director of the Company engages in any fraudulent conduct or activity.
- (**Zhefu**) Zhefu has not lodged a valid application for at least 20% of the Shares and Loyalty Options to be issued under the Offer, or has not paid to the Company (in cleared funds), the Issue Price for such Shares and Loyalty Options, before the settlement date.
- (**disclosures in due diligence**) The due diligence report or any other information supplied by or on behalf of the Company to Morgans in relation to the due diligence process, the Shares, the Offer, or the Prospectus is or becomes untrue, incorrect, misleading or deceptive (including by omission).
- (**material adverse change**) Any material adverse change occurs, or an event occurs which is likely to give rise to a material adverse change in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group, including:
    - any change in the earnings, prospects or forecasts of the Group from those disclosed in the Prospectus;
    - any change in the nature of the business conducted by the Group or proposed to be conducted by the Group; and
    - any change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those respectively disclosed in the Prospectus.
- (**Material Contracts**) A Material Contract referred to in the Prospectus:
    - is, without the prior written consent of Morgans (such consent not to be unreasonably withheld), amended or varied;
    - is breached;
    - is terminated (whether by breach or otherwise);
    - ceases to have effect, otherwise than in accordance with its terms; or
    - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal.

- (**change in laws**) Any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Securities:
  - the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, the United Kingdom, the Untied States of America, Singapore, Malaysia or the Peoples Republic of China;
  - the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory; or
  - the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.
- (**breach of law or regulations**) The Company contravenes the Corporations Act, its Constitution, any of the Listing Rules or any other applicable law or regulation.
- (**warranties untrue**) Any of the warranties or representations by the Company in this Agreement is or becomes materially untrue or incorrect.
- (**breach**) The Company is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within ten business days after being given notice to do so by Morgans.
- (**restricted activities**) Without the prior written consent of Morgans, the Company:
  - disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
  - ceases or threatens to cease to carry on business;
  - alters its capital structure (debt or equity), other than as contemplated in the Prospectus;
  - amends the Constitution or any other constituent document of the Company or the Trust Deed; or
  - amends the terms of issue of the Offer Securities.
- (**adverse change in financial markets**) Any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
  - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or

  - after the date of this Agreement, a change or development (which was not publicly known prior to the date of this Agreement) involving a prospective adverse change in taxation affecting the Group or the Offer occurs.
- (**hostilities**) There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:
  - Australia;
  - New Zealand;
  - the United Kingdom;
  - the United States of America;
  - Japan;
  - Singapore;
  - Malaysia; or
  - the People's Republic of China,
- (**change in management**) A change to the board of directors, senior management or members of the claim selections committee of the Company occurs.
  - (**Encumbrances**) Genex charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property.

Executive Services Agreement (Michael Addison)

On 1 May 2014, the Company entered into an Executive Services Agreement with Michael Addison with respect to his engagement as Managing Director of the Company.

- (**Term**) The appointment commenced on 1 May 2014 and is ongoing subject to the termination provisions.
- (**Services**) Michael Addison will provide the following services for the Company:
  a. overall responsibility for the day to day management of the business of the Company;
  b. assisting in the implementation of the corporate business plan for the Company as determined by the Board;
  c. responsibility for the preparation of the Company's budgets and other performance indicators (if required);
  d. in conjunction with the Chief Financial Officer, responsibility for the preparation of the Company's financial statements and any other accounts for which the Company is responsible; and
  e. responsibility for overall reporting requirements and regularly reporting to the Board concerning the business and financial position of the Company.

- (**Remuneration**) Michael Addison will receive a gross salary of $220,000 (excluding superannuation) per annum. In addition, Michael Addison may be granted, subject to any necessary shareholder approval, incentives to provide ongoing service and commitment to the Company.
- (**Entitlements**) Michael Addison is entitled to 6 weeks of annual leave per annum in addition to other employee entitlements that are customary to an agreement of this nature.
- (**Termination**) Both Michael Addison and the Company may terminate the agreement at any time and for any reason by giving 4 months' written notice to the other party. Michael Addison's employment may otherwise be terminated at any time for cause by notice to Michael Addison from the Company.

Executive Services Agreement (Ben Guo and Simon Kidston)

On 1 May 2014, the Company entered into Executive Services Agreement with each of Ben Guo and Simon Kidston in their capacities as executive directors of the Company. Pursuant to their respective agreements, Simon Kidston receives a gross salary of $200,000 (excluding superannuation) per annum and Ben Guo receives a gross salary of $180,000 (excluding superannuation) per annum. Aside from the differences in remuneration, the Executive Services Agreements with Ben Guo and Simon Kidston were agreed on the same terms and conditions as the Executive Services Agreement with Michael Addison, the material provisions of which are summarised above.

Deeds of Access, Indemnity and Insurance

The Company has entered into a Deed of Access, Indemnity and Insurance (Deed) with each Director. Under each Deed, the Company indemnifies the Directors to the maximum extent permitted by law against legal proceedings, damages, losses, liabilities, costs, charges, expenses, outgoings or payments suffered, paid, or incurred by the Directors, in connection with their offices.

The Deed provides for advances to Directors to defend claims so that in the event that a Director incurs or is likely to incur legal costs in circumstances where the Company may be obliged to indemnify the Director for the legal costs, the Company must advance the money to the Director to enable him or her to pay for the legal costs. If the Company advances an amount to the Director and it is later established that the Director is not entitled to be indemnified in relation to those proceedings, the Director must repay the amount to the Company.

Also pursuant to each Deed, for a period of 7 years from the date that the Director ceases to be a Director, the Company must provide access to all Board papers relevant to defending any claim brought against the Director in their capacity as an officer of the Company, and will obtain a contract of insurance to insure the Director against liabilities incurred in connection with their office, excluding prohibited liabilities associated with a breach of conduct.

Escrow Agreements

A number of existing Shareholders who are not founders or related parties and who will hold 36.8% of the total issued Shares following completion of the Offer have entered into voluntary escrow agreements with the Company which restrict them from dealing with their Shares, such as selling, encumbering or otherwise dealing with them,

for a period of 6 months from the date of quotation of the Shares on the Official List of the ASX. In addition, a number of existing Shareholders who are founders and related parties and who will hold 37.8% of the total issued Shares following completion of the Offer are subject to compulsory escrow agreements with the Company under the ASX Listing Rules which restrict them from dealing with their Shares for a period of 2 years from the original date of issue.

The form of the restriction agreement in each case is based on Appendix 9A of the ASX Listing Rules. Under the terms of each agreement, during the applicable restriction period, the Shareholder (and any controller of the shareholder) must not dispose of, or create a security interest in, those Shares (or offer or agree to do so), or otherwise transfer effective ownership or control of those Shares. However, ASX may consent to those Shares being sold under a takeover bid or under a merger by way of a scheme of arrangement under the Corporations Act.

Fuchunjiang Hydro Powerstation (using Zhefu equipment)

SECTION 14 - CORPORATE GOVERNANCE

The Board has adopted the following corporate governance charters:

- Board Charter;
- Audit & Risk Committee Charter;
- Code of Conduct - Obligations to Stakeholders;
- Code of Conduct for Directors and Key Officers;
- Continuous Disclosure Policy;
- Remuneration Committee Charter;
- Securities Trading Policy - Directors and Key Executives; and
- Diversity Policy.

These policies set out the framework for the management of the Company and the standard of conduct expected of the Company, the Board and certain committees of the Board.

A summary of the key terms of each policy is set out below.

Board Charter

The purpose of the Board Charter is to govern the functions and responsibilities of the Board and senior executives of the Company.

Functions of the Board

The Board Charter sets out the specific functions and responsibilities of the Board. Some of the main functions of the Board are as follows:

- approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- considering and approving the Company's budgets;
- establishing written policies on compliance, risk oversight and management;
- reviewing and ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, in conjunction with the Board committees, and ensuring they are operating effectively;

- ensuring that business risks facing the Company are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;
- ensuring the Company complies with its responsibilities under the Act, the Company's Constitution, the ASX Listing Rules and other relevant laws; and
- exercising due care and diligence and sound business judgment in the performance of those functions and responsibilities.

Composition of the Board

The Board is to be comprised of a minimum of three and a maximum of ten Directors and while this may change from time to time, there must always be a minimum of three Directors. Subject to the needs of the Company, a majority of the Directors on the Board should be independent Directors.

Expertise

The Board Charter ensures that the Board always has an appropriate range of skills and expertise to fulfill its responsibilities. The Board is to regularly review the range of expertise of its members to ensure it has the necessary relevant knowledge.

Induction and Continuing Education

The Board Charter ensures that the Board has an induction and education process for all new Board members and senior executives to make sure they have a thorough understanding of their roles and responsibilities. The induction and education process also ensures that Board members and senior executives have a good understanding of the Company's financial, strategic, operational and risk management position.

Roles and Responsibilities

The Board Charter provides a detailed explanation of the roles and responsibilities of the Chairman, individual Directors, the Managing Director and the Company Secretary.

Audit & Risk Committee Charter

The Audit & Risk Committee Charter governs the roles, responsibilities, composition and membership of the Audit & Risk Committee. The key terms of the Audit & Risk Committee Charter are:

- (**Objectives**) the purpose of the Audit & Risk Committee is to monitor and review the Company's financial statements, risk management and the independence and competency of its internal and external auditors. The Audit & Risk Committee is also responsible for making recommendations to the Board in relation to the appointment and appropriate remuneration of the Company's external auditors;
- (**Members**) the Audit & Risk Committee must only comprise of non-executive Directors and must have a minimum of three members;
- (**Meetings**) the Audit & Risk Committee must meet at least twice a year but is required to meet as frequently as required to undertake its role effectively;

- (**Powers**) the Audit & Risk Committee has broad powers and has unrestricted access to management, the Company's internal and external auditors and all of the Company's records. The Audit & Risk Committee will meet with the external auditors, in the absence of management, as often as required, but not less than once per year;
- (**Risk Oversight**) the Audit & Risk Committee is responsible for providing the Board with advice and recommendations regarding the risk oversight and management policies of the Company relating to the Board, the Audit & Risk Committee, management and the internal auditors. The Audit & Risk Committee is responsible for:
  - maintaining an up-to-date understanding of areas in which the Company is exposed to risk to ensure that management is effectively managing those issues;
  - receiving reports regarding material incidents and ensuring that macro risks are reported to the Board;
  - reviewing the adequacy of the Company's risk management and compliance policies and procedures;
  - reviewing material documents and reports to be lodged with regulators;
  - making recommendations to the Board on appropriate risk and risk management reporting requirements to the Board and the Audit & Risk Committee;
  - providing advice to the Board on corporate level performance indicators and targets for risk management and compliance activities;
  - undertaking an annual review of the Company's risk management policy; and
  - reviewing the adequacy of the Company's insurance coverage;
- (**Internal Audit Function**) the Audit & Risk Committee is also responsible for establishing an internal audit function. In this regard, the Audit & Risk Committee must:
  - review the internal auditor's role and responsibilities;
  - review the results and effectiveness of the internal audit programs;
  - recommend the scope of the internal audit to the Board for approval;
  - approve the appointment and dismissal of senior internal audit executives;
  - review and approve the internal audit plan and work program;
  - ensure that the internal auditor reports directly to the Managing Director or the Chief Financial Officer and the Audit & Risk Committee;
  - ensure that no restrictions are placed on the internal auditors; and
  - ensure that the internal auditors are adequately resourced;
- (**External Auditors**) in relation to the Company's external auditors, the Audit & Risk Committee is responsible for:
  - reviewing the performance and independence of the external auditors;

  - reviewing procedures for the selection, appointment and rotation of the external auditors;
  - agreeing on the terms of engagement of the external auditor before the commencement of each audit;
  - reviewing the external auditor's fee;
  - reviewing and providing oversight of the audit reports prepared and issued by the external auditors;
  - monitoring and examining management's response to the external auditor's findings and recommendations; and
  - ensuring that no management or other restrictions are placed on the external auditors;
- (**Financial Reports**) the Audit & Risk Committee must review the Company's financial statements for accuracy, adequacy and compliance with the accounting standards, ASX Listing Rules and the Act; and
- (**Related Party Transactions**) the Audit & Risk Committee is responsible for reviewing and monitoring the propriety of all related party transactions.

Code of Conduct - Obligations to Stakeholders (Stakeholder Code)

The Stakeholder Code seeks to ensure that the Company maintains high standards of professional conduct and ethics in dealing with all of its stakeholders, and underlines its commitment to complying with all applicable state, national and international laws.

The Company considers that its stakeholders include employees, Shareholders, creditors, customers, suppliers, contractors, consultants, governmental and non-governmental organisations, the communities where the Company operates and other parties that have influence over or are influenced by the Company.

Principles

The Stakeholder Code sets out the following key principles:

- in addition to complying with the requirements of the Constitution, the Act and the ASX Listing Rules, ensuring that all Shareholders of the Company are treated equally, and that the Company will make full, fair and timely disclosure of all relevant information to Shareholders and the ASX;
- encouraging diversity and equal opportunity at all levels of the Company whilst providing a safe and hazard free workplace;
- ensuring that employees do not use Company funds, property, equipment or other resources for their personal benefit or purposes;
- ensuring that proprietary, commercial and other information that is confidential to the Company and that of third parties to whom the Company owes a duty of confidentiality is protected, and ensuring information that is not publicly available is used only for authorised purposes;
- prohibiting the acquisition or sale of Shares in the Company by employees who are aware of material non-public information about the Company, and prohibiting them sharing that information with others;
- ensuring employees avoid actual and perceived conflicts of interest, both in the performance of their duties for the Company and their outside activities;

- observing the requirements of the Trade Practices Act 1974 (Cth) and corresponding state legislation;
- prohibiting employees from receiving payment or gifts in any form (or making such payments) for the purpose of obtaining or retaining business or to obtain any other favourable action;
- prohibiting employees from making formal or informal arrangements with competitors which seek to limit or restrict competition (including agreements which seek to fix or control prices, allocate products, markets or territories, or boycott certain customers or suppliers);
- prevention or minimisation of any harmful effects which its operations may have on the environment and ensuring compliance with all environmental laws and regulations;
- prohibiting employees from seeking confidential information in relation to its competitors, from any new employee who recently worked for a competitor, or from misrepresenting their identity in order to obtain confidential information from a competitor; and
- compliance with both local and international laws (where it operates outside Australia). If the standards in a foreign jurisdiction are lower than those imposed in Australia then the Company is required to comply with Australian legislation.

Code of Conduct for Directors and Key Officers (Conduct Code)

The Conduct Code sets out the ethical standards for Directors and key officers of the Company, and sets out the principles which govern their conduct. The Conduct Code also takes into account recommendations of Principle 3 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Second Edition.

- The key principles governing the conduct of the Company's Directors and key officers are that they:
- will act with honesty and integrity in all their dealings for the Company;
- will be truthful, and not mislead or make false statements nor mislead by omission, and will not make promises or commitments the Company does not intend or would be unable to honour;
- will comply with the law at all times;
- will fully disclose any business interest (public or private) and any other matters which may lead to potential or actual conflicts of interest;
- will seek approval from the Chairman in relation to any other role outside their position as a Director or key officer of the Company which potentially conflicts with the Company's interests;
- must maintain and observe their obligation of confidentiality to the Company even after leaving their position with the Company;
- must not use inside information (being price sensitive information, information not in the public domain or information about any entity related to the Company or a strategic partner of the Company which has come to their knowledge through their employment with the Company) for personal gain, and must not deal in that entity's securities or pass information on to another person or encourage another person to deal in that entity's securities; and
- must not use their position to seek personal gain from those doing business or seeking to do business with the Company, and must not accept payments, gifts or entertainment beyond normal business practice.

The Company's Directors and key officers are also expected to report and record any behaviour that does not comply with the Conduct Code.

Continuous Disclosure Policy

The purpose of the Company's Continuous Disclosure Policy is to impose obligations and procedures on all Directors, employees and consultants of the Company to ensure that all materials concerning the Company are disclosed in a timely and balanced way.

The objectives of the policy are to ensure that the Company is able to meet its continuous disclosure obligations under the ASX Listing Rules and the Act. In addition, the policy aims to establish internal procedures so that all Directors, employees and consultants understand their obligations to disclose material information ensuring:

- all investors and participants in the market have equal and timely access to material information concerning the Company;
- all Company announcements are factual and presented in a clear and balanced way; and
- only material information is disclosed to the market.

Policy

Under the policy, the Board is required to appoint a Disclosure Officer to administer the Company's continuous disclosure policy. According to this policy, this will be the Company Secretary.

As soon as Directors, employees or consultants become aware of information:

- that is not generally available (i.e. the information in question has not been included in any annual report, ASX release or other publication of the Company); and
- which may be price sensitive (i.e. it is likely to have a financial or reputation impact upon the Company that may be considered material),

they must provide to the Disclosure Officer the following information:

- a general description of the matter;
- details of the parties involved;
- the relevant date of the event or transaction;
- the status of the matter (e.g. final / negotiations still in progress / preliminary negotiations only);
- the estimated value of the transaction;
- the estimated effect on the Company's finances or operations; and
- the names of any in-house or external advisers involved in the matter.

Disclosure Officer

The role of the Disclosure Officer is to ensure the Company is compliant with its disclosure obligations, ensure relevant disclosures are made to the ASX and be responsible for all communications with the ASX in relation to ASX Listing Rule matters.

The role of the Disclosure Officer, in conjunction with the managing director includes:

- periodically monitoring disclosure processes and reporting and periodically reviewing the effectiveness of disclosure and materiality guidelines;
- deciding what information must be disclosed to the ASX;
- conducting all disclosure discussions with management;
- conducting all disclosure discussions with the ASX; and
- maintaining a disclosure file.

The Disclosure Officer must immediately decide in respect of information that comes to his or her attention (either directly or from a Director) whether:

- the information must be disclosed to the ASX;
- an exception which allows non-disclosure to apply; or
- an alternative procedure, such as whether a notice pending, trading halt or suspension of Shares is appropriate in all the circumstances.

Remuneration Committee Charter

The purpose of the Remuneration Committee is to provide advice, recommendations and assistance to the Board in fulfilling its corporate governance and oversight responsibilities by:

- putting in place remuneration policies which are designed to attract and retain senior managers and Directors with the expertise to enhance the performance and growth of the Company;
- putting in place remuneration policies that clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives; and
- ensuring that the level and composition of remuneration packages are fair, reasonable and adequate.

Ultimate responsibility for the Company's remuneration policy rests with the full Board, notwithstanding the establishment of the Remuneration Committee.

The Remuneration Committee must have a minimum of three members, with a majority of members being independent Directors. The Remuneration Committee should be chaired by an independent Director.

Meetings

- The Remuneration Committee will meet as frequently as required in order to undertake its role effectively but must, at a minimum, meet once a year.
- A quorum for Remuneration Committee meetings will be at least 2 members.
- A member of the Remuneration Committee is not entitled to be present at a Remuneration Committee meeting, nor give advice or recommendations to the Board, regarding:
  - the level or composition of his or her remuneration; and
  - the evaluation of his or her performance as a Director of the Company.

Other responsibilities of the Remuneration Committee

- The Remuneration Committee is responsible for reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive Directors.
- The Remuneration Committee is responsible for reviewing and providing recommendations to the Board with respect to the Company's policies with respect to incentive schemes and the incentive schemes of senior managers and executive Directors. The Remuneration Committee will also assist the Board in the development of appropriate benchmarks for use in designing incentive schemes.
- The Remuneration Committee is responsible for providing advice to the Board with respect to non-executive Directors' remuneration.
- The Remuneration Committee must review and make recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives.
- The Remuneration Committee is responsible for providing advice and recommendations to the Board on the Company's termination and redundancy policies and the payments made to outgoing Directors and senior managers.
- The Remuneration Committee must report to the Board, at the first Board meeting subsequent to each Remuneration Committee meeting, regarding the proceedings of each meeting, the outcomes of the Remuneration Committee's reviews and recommendations and any other relevant issues.
- The Remuneration Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's remuneration policies and procedures, information concerning the Directors and the performance evaluation of the Board and senior executives.

Securities Trading Policy - Directors and Key Executives

The purpose of the Securities Trading Policy is to impose constraints on Directors and executives of the Company dealing in the Company's Shares or Options, warrants, futures or other derivative financial products issued over the Company's Shares or options.

The objectives of the policy are to minimise the risk of contravening insider trading laws, to ensure that the Company is able to meet its reporting obligations under the ASX Listing Rules and increase transparency with respect to trading in securities of the Company by Directors and executives.

Dealing in securities

Directors and executives should not deal in securities of the Company unless:

- they have satisfied themselves that they are not in possession of any price sensitive information that is not generally available to the public;
- they have contacted the Chairman or Managing Director (or, in their absence, the Company Secretary) and notified them of their intention to do so and the relevant party indicates that there is no impediment to them doing so; and
- where the Managing Director or Chairman wish to deal in securities, he or she has contacted the Chair of the Audit and Risk Management Committee (or, in his absence, the Chair of the Audit and Risk Management Committee) and notified them of his or her intention to do so and the relevant party indicates that there is no impediment to him or her doing so.

The Chairman and Managing Director will generally not allow Directors or executives to deal in securities of the Company as a matter of course where there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Directors and executives should wait at least until the beginning of the next trading day after any relevant release before dealing in securities so that the market has had time to absorb the information. In specific circumstances however, such as financial hardship, the Chairman and/or Managing Director may waive the requirement of a Director or executive to deal in securities outside the above periods on the condition that the Director or executive can demonstrate to the Chairman and/or Managing Director that they are not in possession of any price sensitive information that is not generally available to the public.

Additional policy requirements

- Directors and executives must not at any time engage in short-term trading in securities of the Company.
- Directors and executives must not communicate price sensitive information to a person who may deal in securities of the Company. In addition, a Director or executive should not recommend or otherwise suggest to any person (including a spouse, relative, friend, trustee of a family trust or directors of a family company) the buying or selling of securities in the Company.
- Directors and executives must ensure that external advisers who may receive price sensitive information are bound by confidentiality agreements or other enforceable confidentiality obligations.

Notification of dealing in securities

Directors and executives must notify the Company Secretary immediately on acquiring or disposing of a relevant interest in any securities in the Company.

Confirmation of dealing

If a person covered by the Policy undertakes dealing then, within 2 days of the dealing taking place, they should provide the details of the dealing to the Company Secretary.

Penalties

A contravention of the policy by an executive may result in summary dismissal.

Diversity Policy

The purpose of the Diversity Policy is to demonstrate a commitment by the Board to equality and respect and in recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. The Company considers that fostering diversity improves workplace culture and leads to better company performance.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The wide array of perspectives that results from such diversity promotes innovation and business success.

The Board is responsible for the selection of new board members and in accordance with its Board Charter and the ASX Corporate Governance Principles and Recommendations (including all subsequent amendments), the Board must ensure that the selection process is formal and transparent. High quality female candidates should be considered as part of any recruitment process.

The Company will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so.

SECTION 15 - ADDITIONAL INFORMATION

15.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

A summary of the key rights attaching to the Shares is set out below. The provisions of the Constitution relating to the rights attaching to the Shares must be read subject to the Act, the ASX Listing Rules and ASX Settlement Rules. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights, liabilities and restrictions attaching to the Shares.

Ranking

The Shares issued pursuant to this Prospectus will be fully paid ordinary shares and will rank equally in all respects with the existing fully paid ordinary shares in the Company.

Reports and Notices

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution and the Act.

General Meetings

Members are entitled to be present in person, or by proxy, attorney or representative (where the member is a body corporate) to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Act and the Constitution.

Voting

Subject to any rights or restrictions attached to any class or classes of shares in the Company at any time (at present there is only one class of shares), at a general meeting of the Company:

i. every ordinary member present in person, or by proxy, attorney or representative has one vote on a show of hands; and

ii. upon a poll every ordinary member present in person or by proxy, attorney or representative has one vote for every fully paid share held.

Dividends

The Directors may declare and authorise the distribution of dividends from the profits of the Company to members according to their rights and interests. Although there is no guarantee that the Company will ever pay a dividend to Shareholders.

Winding Up

Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Shares held by them respectively, less any amount which remains unpaid on their Shares at the time of any such distribution.

Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's Shares at any point in time, a member may transfer any of the member's Shares by way of a proper ASX Settlement transfer, a written transfer in any usual form or in any other form approved by the Directors.

The Directors may decline to register a transfer of Shares or apply for a holding lock to prevent a transfer in accordance with the Act or ASX Listing Rules in the event that:

i. the Company has a lien on the Shares the subject of the transfer;

ii. the Company is served with a court order that restricts a member's capacity to transfer the Shares;

iii. registration of the transfer may break an Australian law;

iv. the transfer is lodged during the escrow period for restricted securities;

v. the transfer is paper-based and either a law related to stamp duty prohibits the Company from registering it or the Company is otherwise allowed to refuse to register it under the ASX Listing Rules; or

vi. if the transfer does not comply with the terms of any employee incentive scheme of the Company where applicable.

Future Increases in Capital

The allotment and issue of Shares is under the control of the Directors of the Company. Subject to the ASX Listing Rules, and restrictions on the allotment of Shares to Directors or their Associates contained in the Constitution and the Act, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

Variation of Rights

The rights, privileges and restrictions attaching to Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of Shares by a 75% majority of those holders who, being entitled to do so, vote at that meeting, or with the written consent of the holders of at least 75% of the Shares on issue.

Directors

The Constitution contains provisions relating to the rotation of Directors (other than the Managing Director).

Application of ASX Listing Rules

On admission to the Official List, despite anything in the Constitution, if the ASX Listing Rules prohibit an act being done, then the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given

for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require a constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

15.2 TERMS AND CONDITIONS OF EXISTING OPTIONS

The Company had a total of 8,500,000 Unlisted Options on issue as at the date of the Original Prospectus. All Unlisted Options have vested, are exercisable at $0.25 each and expire on 7 February, 2019. All of the Unlisted Options have the same terms as follows.

Unlisted Options Terms

In the event of a change of control or a successful completion of a takeover offer for all securities in the Company then it is agreed that all unvested Unlisted Options shall vest immediately to the Unlisted Optionholder absolutely.

Subject to the above, each Vested Unlisted Option has the following terms and conditions:

a. Each Unlisted Option entitles the Unlisted Optionholder to acquire one (1) ordinary fully paid Share in the Company;

b. The Unlisted Options are exercisable at any time on or prior to 5.00 pm (AEST or AEDST as applicable at the time) on or before 7 February 2019 (time being of the essence) (Unlisted Option Exercise Period) by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Unlisted Options are exercised to the registered office of the Company or to the share registry of the Company;

c. Each Unlisted Option exercise price is AUD $0.25 and is subject to the re-organisation of the Company's capital as per clauses (h) and (i) below (Option Exercise Price);

d. Unlisted Options are freely transferable in whole or part at any time prior to the Unlisted Option Exercise Period;

e. Shares issued on the exercise of the Unlisted Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys;

f. Shares allotted pursuant to the exercise of an Unlisted Option will rank equally with the then issued Shares of the Company in all respects and, if the Company has listed on the ASX, the Company undertakes to seek quotation on the ASX of the Shares;

g. Unlisted Optionholders shall be entitled to participate in all new issues of securities in the Company upon the prior exercise of Unlisted Options only in which case the Unlisted Optionholders shall be afforded the period of at least fourteen (14) business days prior to and inclusive of the record date (to determine entitlements to the new issue) to exercise their Unlisted Options;

h. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Unlisted Optionholder will be changed/varied to the extent necessary to comply with the Corporations Act and/or the ASX Listing Rules (if applicable) applying to the reconstruction of capital at the time of the reconstruction;

i. Unlisted Optionholders shall be entitled to participate in all take-over offer(s) for the Company prior to the exercise of Unlisted Options in which case the Unlisted Optionholders shall be afforded the period of at least fourteen (14) business days prior to and inclusive of the record date (to determine entitlements to the take-over offer) to exercise their Unlisted Options;

j. If there is a bonus issue to Shareholders of the Company, the number of Shares over which the Unlisted Option is exercisable will be increased by the number of Shares which the holder of the Unlisted Option would have received if the Unlisted Option had been exercised before the record date for the bonus issue;

k. The Company will issue written reminder notices to the Unlisted Optionholder at least five (5) Business Days prior to the expiry of the Unlisted Option Exercise Period;

l. Unlisted Options not exercised before the expiry of the Unlisted Option Exercise Period will lapse;

m. The Unlisted Options will be recorded on the Company's register of Optionholders maintained at the Company's share registry. The register will be open for inspection by an Unlisted Optionholder free of charge. Shares to be allotted on exercise of Unlisted Options will be recorded on the Company's share register;

n. The Company will not make an application for quotation of the Unlisted Options on the Official List of the ASX;

o. The Unlisted Optionholder, if appearing on the Company's register of Optionholders at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders of the Company in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings; and

16. The Unlisted Optionholder has:

    a. no right to any dividend prior to converting into ordinary Shares;

    b. no right to vote until converted into ordinary Shares;

    c. no right to participate in the surplus profits or assets of the Company upon a winding up; and

    d. the right to attend any general meeting of the Company but, not to vote or to move or second any resolution or speak in any meeting except in a resolution which directly affects any of the rights, privileges or conditions attaching to the unlisted options or the exercise and enjoyment of such rights, privileges or conditions, in the event of which each Unlisted Option shall confer on its holder one vote on a show of hands and one vote on a poll.

15.3 RIGHTS AND LIABILITIES ATTACHING TO THE LOYALTY OPTIONS

The rights and liabilities attaching to the Loyalty Options are summarised below as follows:

Register

The Company will maintain a register of holders of Loyalty Options in accordance with Section 168(1)(b)

of the Corporations Act.

Transfer/transmission

Until the Vesting Date, Loyalty Options will not be transferable. Following the Vesting Date, Vested Loyalty Options will be permitted to be transferable.

Issue Vesting and lapse

Loyalty Options issued to an Applicant will either Vest or lapse on the date that is 8 months after the Closing Date (Vesting Date).

Loyalty Options held by an Applicant will Vest at the Vesting Date if and only if the Applicant holds at the Vesting Date the same or a greater number of Shares that were issued to the Applicant under this Prospectus. Applicants who are issued Shares under this Prospectus are still entitled to trade those Shares between the date those Shares are issued and the Vesting Date and the Loyalty Options held will still vest to them at the Vesting Date provided the Shareholder holds the same or a greater number of Shares as that issued to them under the Prospectus. For the sake of clarity, Applicants can increase or decrease the number of Shares issued to them under this Prospectus within the period from the date of issue of the Loyalty Options to the Vesting Date without affecting the Vesting of the Loyalty Options as long as the number of Shares held at the Vesting Date is the same or a greater number of Shares that were issued to the Applicant under this Prospectus. There is no pro rata entitlement to the Vesting of the Loyalty Options. If a Shareholder holds less Shares at the Vesting Date than was issued to them under this Prospectus then all Loyalty Options issued to them will Lapse at the Vesting Date. If a Shareholder holds more Shares at the Vesting Date than was issued to them under this Prospectus they will not receive any additional Loyalty Options to those previously issued.

Loyalty Options that do not Vest on the Vesting Date lapse with immediate effect on the Vesting Date and are of no further force or effect.

Exercise

A Vested Loyalty Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Vested Loyalty Options, signed by the registered holder of the Vested Loyalty Option, together with payment to the Company of $0.20 per Vested Loyalty Option being exercised and the relevant Option certificate.

A Vested Loyalty Option may be exercised at any time in the period commencing on the day after the Vesting Date and ending on the second anniversary of the Vesting Date or, if that anniversary is not a Business Day, the

following Business Day. Vested Loyalty Options which are validly exercised will be deemed to have been exercised on the last day of the month in which Notice of Exercise in respect of those Vested Loyalty Options is lodged with the Company. A Notice of Exercise of Vested Loyalty Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

Dividend entitlement

Loyalty Options, once issued, do not carry any dividend entitlement until they are exercised following Vesting. Shares issued on exercise of Vested Loyalty Options rank equally with other Shares then on issue from their date of issue and are entitled to dividends paid on and from this date where the record date for the dividends occurs after the date of issue of the Shares.

Participation rights

For determining entitlements to the issue, a Loyalty Optionholder may only participate in new issues of securities to holders of applicable Shares in the Company if the Loyalty Option has been exercised and Shares allotted in respect of the Loyalty Option before the relevant record date.

The Company must give at least 6 business days' notice to Loyalty Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.

If between the date of issue and the date of exercise of a Loyalty Option the Company makes one or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a bonus issue) in accordance with the ASX Listing Rules, the exercise price of Loyalty Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S+D)]}{N+1}$$

where:

NE is the new exercise price of the Loyalty Option;

OE is the old exercise price of the Loyalty Option;

E is the number of underlying Shares into which one Loyalty Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex-rights date or ex entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus to the holders of Shares in the capital of the Company, the number of Shares over which the

Loyalty Option is exercisable will be increased by the number of Shares which the holder of the Loyalty Option would have received if the Loyalty Option has been exercised before the record date for the bonus issue.

Reconstructions and alteration of capital

Any adjustment to the number of outstanding Loyalty Options and the exercise price under a reorganisation of the Company's Share capital must be made in accordance with the ASX Listing Rules at the time of the reorganisation.

Terms and conditions

For the terms and conditions of the Loyalty Options, refer to Section 17 for full details.

15.4 CONSTITUTION

A summary of the key provisions of the Constitution is set out below.

- (Transfer of Shares) A member may transfer any of the member's Shares by a proper ASX Settlement transfer, a written transfer in any usual form or in any other form approved by the Directors. However, the Directors may decline to register a transfer of Shares or apply for a holding lock to prevent a transfer in accordance with the Act or ASX Listing Rules:
  - i. if the Company has a lien on the Shares the subject of the transfer;
  - ii. if the Company is served with a court order that restricts a member's capacity to transfer the Shares;
  - iii. if registration of the transfer may break an Australian law;
  - iv. during the escrow period of restricted securities;
  - v. if the transfer is paper-based, either a law related to stamp duty prohibits the Company from registering it or the Company is otherwise allowed to refuse to register it under the ASX Listing Rules; or
  - vi. if the transfer does not comply with the terms of any employee incentive scheme of the Company.
- (Quorum at general meetings) A quorum at a general meeting consists of two members present or where there is only one member, that member.
- (Chairperson) In the case of an equality of votes on a show of hands or on a poll, the chairperson of the meeting has a casting vote in addition to any vote to which that chairperson may otherwise be entitled.
- (Directors - appointment and removal) The Company may at any time by resolution passed in general meeting appoint any person to be a Director or remove any Director from office.
- (Remuneration of Directors) The Directors shall be paid such remuneration as is from time to time determined by the Company in general meeting.
- (Quorum at meeting of Directors) At a meeting of Directors, the number of Directors whose presence is necessary to constitute a quorum is 2.

- (Dividends) The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.
- (Reports and Notices) Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution and the Act.
- (Winding Up) Shareholders will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Shares held by them respectively, less any amount which remains unpaid on their Shares at the time of distribution.

15.5 DIVIDEND POLICY

The Directors intend to use the Company's current cash reserves and any surplus cash flow to fund the Company's Kidston Project, rather than distributing these funds as dividends.

The Directors' intend to review this policy with reference to the Company's cash flows and financial position, and may potentially initiate a revised dividend policy in the future.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by the Company. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of the Company.

15.6 CONSENTS

Each party referred to in this Section:

i. does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in the Prospectus is based other than as specified in this Section; and

ii. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each of the following parties has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- Morgans as Lead Manager and Underwriter to the Offer;
- Kemp Strang as legal adviser to the Company;
- Ernst & Young as independent consultants;
- Energetics Pty Limited as independent consultants;
- McCullough Robertson as title reporting solicitor;
- William Buck as investigating accountant and as auditor to the Company;
- Boardroom Pty Limited as the Share Registry; and

- Zhefu Hydropower International Engineering Corporation Limited.

Ernst & Young has also given its consent to the inclusion of the Industry Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.

Energetics has also given its consent to the inclusion of the Electricity Price Projection Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.

McCullough Robertson has also given its consent to the inclusion of the Solicitor's Report on Title in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.

William Buck has also given its consent to the inclusion of the Investigating Accountant's Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.

15.7 INTERESTS OF ADVISERS AND NAMED PERSONS

This Section applies to persons named in the Prospectus as performing a function as a financial services licensee or in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or promoters of the Company (collectively referred to as prescribed persons). Except as otherwise set out in this Prospectus, no prescribed person has, or during the last two years has had, any interest in the formation or promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion of the Offer.

15.8 EXPENSES OF THE OFFER

No sums have been paid or agreed to be paid to a prescribed person for services rendered by the prescribed person in connection with the promotion or formation of the Company or the Offer except as set out below:

Table 15.2: Offer Expenses

Offer Expenses and Listing costs (exclusive of GST)	($000)
Lead Manager equity raising fees	480
Legal & Title Reporting Solicitor fees	83
Investigating Accountant's fees	20
Audit fees	20
Independent Consultant fees	25
Printing, marketing, public relations and distributions	20
ASX listing fees, ASIC lodgement fees and Share Registry fees	112
Other expenses	60
Offer Expenses (cash settled)	**820**
Loyalty Bonus Option	**1,380**
Total Offer Expenses	**2,200**

15.9 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director (whether individually or as a consequence of a Director's association with any company or firm or any material contract entered into by the Company) has now, or has had, in the 2 year period prior to the date of this Prospectus, any interest in:

i. the formation or promotion of the Company;

ii. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

iii. the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

Remuneration of Directors

The Constitution provides that the non-executive Directors may be paid for their services as Directors, however the sum payable must not exceed such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The sum fixed by the Company as the aggregate limit for the payment of non-executive Directors is $400,000 per annum.

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

Directors' Fees and Remuneration Received

Director fees paid in the previous 2 years to 30 June 2015, or payable annually to the Directors upon listing on the ASX as remuneration for their services as Directors are set out below.

	2 years to 30 June 2015 (including superannuation)	Annual Salary (including superannuation)
Mr. Michael Addison	$209,008	$240,900
Mr. Ben Guo	$164,213	$197,100
Mr. Simon Kidston	$182,458	$219,000
Mr. Alan du Mée	$40,000	$60,000
Dr. Ralph Craven	$60,000	$90,000

Directors' Holdings

Details of Directors' relevant interests in securities of the Company (held directly or indirectly) as at the date of the Original Prospectus are outlined in Section 2 of this Prospectus.

The Directors may participate in the Offer pursuant to this Prospectus.

Ergon Substation on Kidston Site

15.10 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance by the Company of the Applications are governed by the laws applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

15.11 DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company state that for the purposes of section 731 of the Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, and that those persons have given the consent required by section 716(2) of the Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director consents to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any legislation or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Prospectus is dated 10 June 2015.

Signed for and on behalf of Genex Power Limited

Mr. Michael Addison

Managing Director

SECTION 16 – DEFINITIONS

Terms defined in the independent experts' reports have the meanings therein ascribed to them throughout this Prospectus unless otherwise stated or unless inconsistent with the context in which the expression is used. Other expressions are used throughout this Prospectus that are not defined in the various independent experts' reports and, unless otherwise stated or unless inconsistent with the context in which the expression is used, each of the following expressions have the meaning set out below:

$** or **A$ or **AUD** means references to dollar amounts in Australian currency.

Act or **Corporations Act** means the Corporations Act 2001 (Cth) as in force within Australia.

AEMO means the Australian Energy Market Operator.

AEST means Australian Eastern Standard Time.

Applicant means a person who makes an application for Shares and Loyalty Options under this Prospectus.

Application means an application for Shares under this Prospectus made by an Applicant under an Application Form.

Application Form means the form accompanying and forming part of this Prospectus by which an Applicant may apply for Shares and Loyalty Options under the Offer.

Application Monies means monies received by the Company from Applicants with respect to Applications.

ASIC means the Australian Securities and Investments Commission.

Associates has the meaning given to that term in the Act.

ASX means the Australian Securities Exchange operated by ASX Limited (ACN 008 624 691).

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement means ASX Settlement Pty Ltd (ACN 008 504 532) (formerly known as ASX Settlement and Transfer Corporation Limited).

ASX Settlement Rules means the operating rules of ASX Settlement.

Board means the board of Directors of the Company.

Broker Firm Offer has the meaning given in Section 2.5.2 of this Prospectus.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Sydney, New South Wales.

CCGTs means combined cycle gas turbines.

Chairman means the chairman of Genex which at the date of this Prospectus is Dr Ralph Craven.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Chief Financial Officer means the chief financial officer of the Company.

Closing Date means 5:00pm (AEST) on the date the Offer closes, which is set out in Key Dates and Offer Statistics section of this Prospectus.

Company or **Genex** means Genex Power Limited (ACN 152 098 854).

Company Secretary means the company secretary of Genex which at the date of this Prospectus is Mr. Justin Clyne.

Constitution means the constitution of the Company adopted on incorporation on 15 July 2011 under its former name Allied Resources Limited.

Convertible Note means the convertible note issued to Zhefu under the terms of a convertible note agreement dated 21 April 2015 outlined in Section 13 of this Prospectus.

Copperfield Dam means the water dam of the same name.

DEPH means the Queensland Department of Environment and Heritage Protection.

Directors means the directors of the Company.

Disclosure Officer means the person appointed as the disclosure officer pursuant to the Company's continuous disclosure policy.

EA means Environmental Authority.

EBITDA means earnings before interest, taxation, depreciation and amortisation.

Energetics means Energetics Pty Limited (ACN 001 204 039).

Environmental Bonds has the meaning given in the summary of the Kidston Gold Mines Limited Share Sale Agreement in Section 13 of this Prospectus.

Fixed Operating Schedule means the schedule listed in table 5.8 of this Prospectus.

GJ means Gigajoules.

HIN means the holder identification number provided to Shareholders for holdings registered on the CHESS sub-register.

Institutional Offer has the meaning given in Section 2.5.3 of this Prospectus.

Issue Price means $0.20 per Share.

Investigating Accountant's Report means the report in Section 12.

KGML means Kidston Gold Mines Limited (ACN 009 593 711).

Kidston Project or **Project** means the Kidston hydroelectricity pumped storage project located in Northern Queensland, Australia.

Kidston PSH Scheme or **Kidston Scheme** means the Kidston pumped storage hydroelectricity scheme.

Kidston Site means the land comprising the Tenement.

Lead Manager and Underwriter means Morgans.

Listing means the listing of the Company on the ASX.

LNG means liquefied natural gas.

Loyalty Option means an unlisted Loyalty Option to be issued in the form of one Loyalty Option for every two shares issued to an Applicant under this Prospectus.

Material Contract means an agreement described in Section 13 of this Prospectus.

Morgans means Morgans Corporate Limited (ABN 32 010 539 607).

MW means megawatts.

MWh means megawatt hours.

National Electricity Market or **NEM** means the National Electricity Market of Australia.

OCGTs means open cycle gas turbines.

Offer means the offer to the public to apply for 40,000,000 Shares and 20,000,000 attaching Loyalty Options under this Prospectus.

Offer Period means the period from 12 June 2015 to 25 June 2015.

Offer Proceeds means the total proceeds of the offer of 40,000,000 Shares and 20,000,000 Loyalty Options under this Prospectus, being an aggregate amount of $8,000,000 (before costs).

Official List means the official list of the ASX.

Official Quotation means official quotation of the Shares on the ASX.

Opening Date means the date the Offer opens, which is set out in the Key Dates and Offer Statistics section of this Prospectus and may be varied by the Company.

Option means any option in the company including Unlisted Options and Loyalty Options.

Optionholder means a person who holds one or more Options.

Original Prospectus means the prospectus issued by the Company dated 29 May 2015, which was lodged with ASIC on that date and is replaced by this Prospectus.

Pre-Feasibility Analysis has the meaning given to that term in Section 5.2.3 of this Prospectus.

Project Feasibility Study means a feasibility study which, in the view of the Board, will be adequate to obtain necessary Project financing on acceptable commercial terms.

Prospectus means this prospectus dated 10 June 2015 as modified or varied by any supplementary prospectus prepared by the Company and lodged with ASIC from time to time.

Prospectus Date means the date of this Prospectus being 10 June 2015.

PSP means pumped storage plant.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the issued capital of the Company.

Share Registry means Boardroom Pty Limited (ACN 003 209 836).

Shareholder means a person who holds one or more Shares.

Solicitor's Report on Title means the solicitor's report on title in Section 11 of this Prospectus.

SRN means the security holder reference number provided to Shareholders in the case of holdings registered on the issuer sponsored sub-register.

Tenement means mining lease ML 3347 in the state of Queensland.

Term Lease means the term lease over the area of the Tenement held by the Company.

Title means the land comprising the Tenement and the Term Lease.

Underwriting Agreement means the agreement dated 29 May 2015 as detailed in Section 13 of this Prospectus.

Unlisted Options means unlisted options over Shares in the Company currently on issue on the terms and conditions set out in Section 15.

Unlisted Optionholder means a person who holds one or more Unlisted Options.

US Person has the meaning given in rule 902(k) of Regulation S under the US Securities Act.

US Securities Act means the US Securities Act 1933, as amended.

Zhefu means Zhefu Hydropower International Engineering Corporation Limited of 10F, Zanyu Building, No. 702 Gudun Road, Xihu District, Hangzhou, China.

Zhefu Offer has the meaning given in Section 2.5.1 of this Prospectus.

SECTION 17 – LOYALTY OPTION TERMS OF ISSUE

17.1 DEFINED TERMS OF LOYALTY OPTIONS

Unless otherwise defined, capitalised terms used in this Annexure have the meanings given to them in the Glossary to the Prospectus.

Applicant means a person who has applied for and been issued Shares under the Prospectus.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement.

Business Day has the same meaning as in the ASX Listing Rules.

Exercise Notice means the notice specified in Section 17.15(a).

Exercise Price in relation to a Loyalty Option, the exercise price specified in Section 17.5, as adjusted from time to time in accordance with Section 17.12.

Expiry Date in respect of a Vested Loyalty Option means 5.00pm (Sydney time) on the second anniversary of the Vesting Date or if that anniversary is not a Business Day, the first Business Day following that anniversary.

Loyalty Optionholder means a person registered from time to time on the Company's register of option holders as a holder of one or more Loyalty Options.

Month means a period starting on the first day of a calendar month and ending on the last day of that calendar month.

Prospectus means the prospectus dated 10 June 2015 lodged by the Company with ASIC and includes any supplementary or replacement prospectus in relation to that prospectus.

Vesting means the process under which a Loyalty Option first becomes exercisable by an Application in accordance with these terms of issue. The terms Vest and Vested used in these Terms have corresponding meanings.

Vesting Date means 7.00pm (Sydney time) on the date that is 8 months after the Closing Date.

17.2 VESTING AND LAPSE

a. In the event of a change of control or a successful completion of a takeover offer for all securities in the Company then it is agreed that all unvested Unlisted Options shall vest immediately to the Loyalty Optionholder absolutely.

b. Subject to section 17.2(a), Loyalty Options Vest if and only if on the Vesting Date:

   i. the Loyalty Options are held by a Loyalty Optionholder who is an Applicant who has been issued Shares

   under the Offer; and

   ii. the Loyalty Optionholder holds as at the Vesting Date the same or a greater number of Shares as the

   iii. Number of Shares that are issued to the Loyalty Optionholder under the Prospectus. Applicants who are issued Shares under this Prospectus are still entitled to trade those Shares between the date those Shares are issued and the Vesting Date and the Loyalty Options held will still vest to them at the Vesting Date provided the Shareholder holds the same or a greater number of Shares as that issued to them under the Prospectus. For the sake of clarity, Applicants can increase or decrease the number of Shares issued to them under this Prospectus within the period from the date of issue of the Loyalty Options to the Vesting Date without affecting the Vesting of the Loyalty Options as long as the number of Shares held at the Vesting Date is the same or a greater number of Shares that were issued to the Applicant under this Prospectus. There is no pro rata entitlement to the Vesting of the Loyalty Options. If a Shareholder holds less Shares at the Vesting Date than was issued to them under this Prospectus then all Loyalty Options issued to them will Lapse at the Vesting Date. If a Shareholder holds more Shares at the Vesting Date than was issued to them under this Prospectus they will not receive any additional Loyalty Options to those previously issued.

c. A Loyalty Option that has not Vested as at 7.00pm (Sydney time) on the Vesting Date lapses with immediate effect and is not capable of exercise, and the Company will have no liability whatever in respect of the Loyalty Option.

17.3 ENTITLEMENT

Each Vested Loyalty Option entitles the Loyalty Optionholder, on exercise of the Loyalty Option, to apply for one fully paid ordinary share in the capital of the Company.

17.4 ISSUE PRICE

No amount is payable on issue of the Loyalty Options.

17.5 EXERCISE PRICE

Each Loyalty Option has an exercise price of twenty Australian cents (A$0.20) (Exercise Price).

17.6 OPTION PERIOD

Each Vested Loyalty Option may be exercised at any time in the period commencing on the day after the Vesting Date and ending on the Expiry Date by delivery to the Company of a notice of exercise (in or to the effect of the form provided to the Loyalty Optionholder by the Company at the time of the grant of the Loyalty Option or otherwise), accompanied by payment of the Exercise Price.

17.7 EXPIRY DATE

Unless exercised or lapsed earlier, each Loyalty Option expires at 5:00pm (Sydney time) on the Expiry Date. A Loyalty Option that has expired is not capable of exercise and the Company will have no liability whatsoever in

respect of the expired Loyalty Option.

17.8 DIVIDENDS

The Loyalty Options do not confer any right to dividends.

17.9 NO VOTING RIGHTS

The Loyalty Options will confer the right to attend general meetings of the Company and to receive reports to shareholders, but will not confer any right to vote or speak at any meeting.

17.10 TRANSFER

a. A Loyalty Option that has not Vested is not transferable.

b. A Vested Loyalty Option may be freely transferred at any time after the Vesting Date, in accordance

c. with the Corporations Act and, if applicable, the ASX Settlement Operating Rules and the ASX Listing Rules.

17.11 HOLDING STATEMENT

The Company must give each Loyalty Optionholder a certificate which sets out the number of Loyalty Options issued to the Loyalty Optionholder:

a. the Exercise Price of the Loyalty Options;

b. the date of issue of the Loyalty Options; and

c. the Vesting Date of the Loyalty Options.

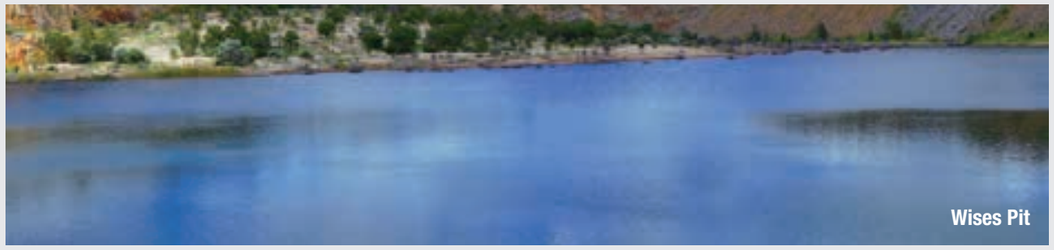
17.12 PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES AND REORGANISATIONS

Participation

A Loyalty Optionholder is not entitled in that capacity to participate in any new issue to existing shareholders of securities in the Company unless they have validly exercised in accordance with these terms their Vested Loyalty Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

Notice of new issue

The Company must give a Loyalty Optionholder, in accordance with the ASX Listing Rules, notice of:


Wises Pit

a. the proposed terms of the issue or offer proposed; and

b. the right (if any) to exercise their Options.

Bonus issues

If the Company makes a bonus issue of Shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Loyalty Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Vested Loyalty Option is exercisable is increased by the number of Shares which the Loyalty Optionholder would have received if the Loyalty Optionholder had validly exercised in accordance with these terms the Vested Loyalty Option before the record date for determining entitlements to the issue.

Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Loyalty Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the ASX Listing Rules.

Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Loyalty Optionholder (including the number of Loyalty Options to which each Loyalty Optionholder is entitled and/or the Exercise Price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

17.13 CALCULATIONS AND ADJUSTMENTS

Any calculations or adjustments which are required to be made under Section 17.12 will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Loyalty Optionholder.

17.14 NOTICE OF CHANGE

The Company must within a reasonable period give to each Loyalty Optionholder notice of any change under Section 17.12 to the Exercise Price of any Options held by an Loyalty Optionholder or the number of Shares which the Loyalty Optionholder is entitled to subscribe for on exercise of a Loyalty Option.

17.15 METHOD OF EXERCISE OF OPTIONS

Method and payment

To exercise Vested Loyalty Options, the Loyalty Optionholder must give the Company or its Share Registry, at the same time:

a. a written exercise notice (in the form approved by the Board of the Company from time to time)(Exercise

Notice) specifying the number of Vested Loyalty Options being exercised and Shares to be issued; and

b. payment of the Exercise Price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

Exercise all or some Options

a. A Loyalty Optionholder may only exercise Vested Loyalty Options in multiples of 2,500 unless the Loyalty Optionholder exercises all Vested Loyalty Options held by the Loyalty Optionholder.

b. Vested Loyalty Options will be deemed to have been exercised on the date the application is lodged with the Company.

Amended Option holding statement

If a Loyalty Optionholder exercises less than the total number of Vested Loyalty Options registered in the Loyalty Optionholder's name, the Company must give the Loyalty Optionholder an amended certificate stating the remaining Vested Loyalty Options held by the Loyalty Optionholder.

17.16 ISSUE OF SHARES

After receiving an application for exercise of Vested Loyalty Options and payment by a Loyalty Optionholder of the Exercise Price, the Company must within 15 Business Days after the deemed exercise date, issue the Loyalty Optionholder the number of fully paid ordinary shares in the capital of the Company specified in the application.

17.17 RANKING OF SHARES ISSUED ON EXERCISE OF OPTIONS

Subject to the Company's constitution, all Shares issued on the exercise of Vested Loyalty Options rank in all respects pari passu with the existing ordinary shares in the Company at the date of issue and only carry an entitlement to receive dividends that have a record date after the Shares were issued.

17.18 UNLISTED OPTIONS

The Company does not intend to apply to the ASX for official quotation of the Loyalty Options.

17.19 DUTIES AND TAXES

The Company is not responsible for any duties or taxes that may become payable in connection with the issue of Shares following exercise of, or in connection with any other dealing with, Vested Loyalty Options.

17.20 NOTICES

a. All notices, requests and statements given or made under these terms must be in writing.

b. The Company must send any notice, request or other document relating to the Options to be sent to a Loyalty Optionholder under these terms to the Loyalty Optionholder's registered address as recorded in the Company's register of Optionholders and will be taken to be delivered on the day after the day it is sent.

c. A Loyalty Optionholder must send any notice, request or other document relating to the Options to be sent to the Company under these terms to the Company's registered office or as the Company otherwise specifies by notice to the Loyalty Optionholder.

d. At any time, a holder for the time being of Vested Loyalty Options may request the Company to give the Loyalty Optionholder a blank Exercise Notice. The Company must give the Loyalty Optionholder a blank Exercise Notice promptly on receiving the request.

17.21 GOVERNING LAW

These terms and the rights and obligations of Loyalty Optionholders are governed by the laws of New South Wales. Each Loyalty Optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

Ergon Substation on Kidston Site

Genex Power

GENEX POWER LIMITED

ACN 152 098 854

Broker Reference - Stamp Only

Broker Code

Advisor Code

Application Form

Fill out this Application Form if you wish to apply for Shares in Genex Power Limited

- Please read the Prospectus dated 10 June 2015.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.
- One Loyalty Option will be issued for every two shares issued.

Offer Closes
5.00pm 25 June 2015

A Number of Shares you are applying for

x $0.20 =

B Total amount payable

Minimum of 10,000 Shares to be applied for and thereafter in multiples of 2,500 shares.

C Write the name(s) you wish to register the Offer Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number / Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Cheque payment details – PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this Application. Make your cheque or bank draft payable to **Genex Power Limited Share Offer**

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A$

H Contact telephone number (daytime/work/mobile)

I Email address

By submitting this Application Form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are compete and accurate. I/We agree to be bound by the Constitution of Genex Power Limited (the Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

A. If applying for Shares insert the **number** of Shares for which you wish to subscribe at Item **A** (not less than 10,000 and then in multiples of 2,500). Multiply by $**0.20** to calculate the total for Shares and enter the **dollar amount** at B.

C. Write your **full name**. Initials are not acceptable for first names.

D. Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.

F. Enter your Australian **tax file number** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G. Complete **cheque details** as requested. Make your cheque payable to **Genex Power Limited – Share Offer**, cross it and mark it "**Not negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.

H. Enter your **contact details** so we may contact you regarding your Application Form or Application Monies.

I. Enter your **email address** so we may contact you regarding your Application Form or Application Monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Mailing address:
Genex Power Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery address:
Genex Power Limited
C/- Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
SYDNEY NSW 2000

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 02 9290 9600 outside Australia.

Privacy Statement:

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a Shareholder (including your name, address and details of the Shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your Dhareholding and if some or all of the information is not collected then it might not be possible to administer your Shareholding. Your personal information may be disclosed to the entity in which you hold Shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.
Our privacy policy is available on our website (http://www.boardroomlimited.com.au/Privacy.html).

Genex Power

www.genexpower.com.au

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