Genex Power Limited

ABN 18 152 098 854

Financial Report - 31 December 2014

Corporate Directory

Directors

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

Registered/Corporate Office

L11
2 Bligh Street
Sydney NSW 2000
Tel: +61 2 9993 4441
Fax +61 2 9993 4433

PO Box R514
Royal Exchange NSW 1215

Email: info@genexpower.com.au
Website: www.genexpower.com.au

Auditor

William Buck
Level 29, 66 Goulburn Street
Sydney NSW 2000
+61 2 8263 4000

Share Registry

Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760
Fax: 1300 653 459
Email: enquiries@boardroomlimited.com.au

The directors present their report, together with the financial statements, on Genex Power Limited (referred to hereafter as the 'consolidated entity') consisting of Genex Power Limited (referred to hereafter as 'Genex', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the six month period ended 31 December 2014.

Directors

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

Michael Addison	(appointed 15 July 2011)
Simon Kidston	(appointed 1 August 2013)
Ben Guo	(appointed 25 October 2013)
Ralph Craven	(appointed 1 July 2014)
Alan du Mee	(appointed 1 July 2014)

Dr Craven and Mr du Mee ceased being directors on 26 March 2015 and became Director Designates for the IPO.

Principal activities

The company's principal activity is mine remediation and developing and building pumped storage power generators.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax for the 6 month period ended 31 December 2014 amounted to $1,328,279 (12 month period ended 30 June 2014: $540,696).

Significant changes in the state of affairs

The main activities during the six months following 30 June 2014 was the completion of the Pre-Feasibility Report relating to the Kidston Hydro Pumped Storage Project. The Pre-Feasibility Report was completed in December 2014.

In pursuit of funding its stated principal activities, the company's board, on 18 July 2014 and 27 July 2014, approved the issue of 19,309,000 and 691,000 ordinary shares respectively, at a price of $0.10.

During the period the board also approved the issue of 5.5 million share options exercisable at $0.25 on or before 7 February 2019.

On 1 July 2014 the Board appointed Dr Ralph Craven as Non-Executive Chairman and Mr Alan du Mee as a non-executive director.

On 1 July 2014 the Board varied the terms of the Share Sales Agreement by consent wherein the company's obligation to pay the first tranche of the environmental bond of $1.5m was deferred until 30 June 2015.

On 7 May 2015, the Board further varied the terms of the Share Sale Agreement by consent wherein the company's obligation to pay the first and second tranche of the environmental bond of $total 3.0m was deferred until 15 August 2015.

Matters subsequent to the end of the period

Subsequent to the end of the period 31 December 2014:

On the 21 April 2015, Genex executed a Convertible Note Agreement with Zhefu Hydropower International Engineering Corporation Limited ("Zhefu"). The Convertible Note is for a principal sum of A$3,788,600, matures on the 30 November 2015 and converts automatically upon IPO to 23,678,750 shares at a price of $0.16 per share.

Conditions of the Convertible Note include:

- Zhefu is required to subscribe for 20% of the IPO on terms consistent with IPO investors.
- the Convertible Note can be redeemed for cash at any time prior to maturation.
- in the event the IPO is delayed beyond the date of maturation the Convertible Note Holder has a call option to purchase shares in Genex (Kidston) Pty Ltd for an amount equal to the Redemption Amount.

On 7 May 2015, the Board further varied the terms of the Share Sale Agreement by consent wherein the company's obligation to pay the first and second tranche of the environmental bond of total $3.0m was deferred until 15 August 2015.

Apart from the matters outlined above there have been no other material events or circumstances which have arisen since 31 December 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The company's current operations are regulated under the terms of an existing Environmental Authority under a law of the Queensland state of Australia.

Information on directors

Name: Dr. Ralph Craven
Title: Non-Executive Chairman
Qualifications: BE PhD, FIEAust ,FIPENZ, FAICD

Experience and expertise:
Dr Craven is an electricity sector specialist with respected credentials in energy, transmission infrastructure and power generation and electricity retailing. Dr Craven has a number of public company roles including non- executive director at Senex Energy Limited, AusNet Services Limited and Invion Limited. Dr Craven 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, 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. Dr Craven was also Deputy Chairman of coal seam gas company Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina).

Name: Michael Addison
Title: Managing Director
Qualifications: *BSc (Eng), MPhil (Oxon), MAICD, FAIM*

Experience and expertise:
Michael is a former water engineer with experience in large dam, spillway and water reticulation systems design. He also has considerable international corporate finance experience, having spent a number of years as an investment banker with three globally recognised investment banks. Subsequent to transitioning into mainstream corporate management in the early nineties, Michael held a number of senior executive positions on the boards of publicly listed companies on each of the London, Johannesburg and Australian Securities Exchanges. In these roles he developed deep expertise in the management and running of listed companies and an intimate working knowledge of the regulatory, legal and governance environments in which listed companies operate. Michael is a former Rhodes Scholar, has an Oxford University postgraduate degree in Management Studies, is a Fellow of the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Name: Alan du Mée
Title: Non-Executive Director
Qualifications: *MSc., MBA, FAICD, FAIM, MIIE*

Experience and expertise:
Mr du Mée 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, Mr du Mée 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 600MW 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.

Mr du Mée 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.

Name: Simon Kidston
Title: Executive Director
Qualifications: *BCom, Graduate Diploma in Applied Finance and Investment, MAIDC*

Experience and expertise:
Simon has over 20 years investment banking experience in Australia, UK and Asia. During that period he worked for international banks such as Macquarie, HSBC and Helmsec Global Capital. Simon has experience in company management having co-founded 3 successful ASX listed companies (Endocoal Limited, Carabella Resources Limited and Estrella Resources Limited). Simon holds a Bachelor of Commerce degree from Griffith University and has a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Name: Ben Guo
Title: Finance Director
Qualifications: *BCom, Finance (Hons 1st) and Accounting*

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

Company secretary
Justin Clyne was appointed as company secretary on 1 March 2014 after the resignation of Elizabeth Hunt on the same day became effective.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 31 December 2014, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Michael Addison	6	6
Simon Kidston	6	6
Ben Guo	6	6
Ralph Craven	6	6
Alan du Mee	6	6

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Director's Interest
The shares and Option held by the individual directors at the date of this report are as follows:

Director	Entity	Number of Shares	%	Number of Options	%
Michael Addison	Rivonia Pty Limited <Rivonia Superannuation Fund>	27,000,000	28.507	1,000,000	11.764
Simon Kidston	KFT Capital Pty Limited <Gundimaine A/C> KFS Pty Limited <SEK Super Fund	17,700,000 3,000,000	18.688 3.167	1,000,000	11.764
Ben Guo	Moore Park Capital Pty Limited <SoDamnSolid Fund A/C>	2,000,000	2.112	1,000,000	11.764
Ralph Craven	Dr Ralph Howard Craven & Mrs Lesley Clare Craven <RH Craven Super Fund A/C>	200,000	0.211	3,000,000	35.294
Alan du Mee	Alan R M de Chasteigner du Mee and Dale E de Chasteigner du Mee <de Chasteigner PF PL A/C>	200,000	0.211	2,000,000	23.528
Director Total		**50,100,00**	**52.896**	**8,000,000**	**94.118**
Total Shares and Options on Issue at 26/03/2015		**94,715,000 Shares**	**100**	**8,500,000 Options**	**100**

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

Grant date	Expiry date	Exercise price	Number under option
7 February 2014	7 February 2019	$0.25	3.0 million
1 July 2014	7 February 2019	$0.25	2.5 million
13 October 2014	7 February 2019	$0.25	3.0 million

No person entitled to exercise the options had or has any right by virtue of their option holding to participate in any share issue of the company or of any other body corporate.

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

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

Indemnity and insurance of auditor
The company has not, during or since the end of the period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

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

On behalf of the directors

Ben Guo
Director

22 May 2015
Sydney

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GENEX POWER LIMITED:

I declare that, to the best of my knowledge and belief during the period ended 31 December 2014 there have been:

- no contraventions of the auditor independence requirements in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 22 May 2015

CHARTERED ACCOUNTANTS & ADVISORS

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Sydney NSW 2000
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Contents

General information

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

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

Registered office

L11
2 Bligh Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 May 2015. The directors have the power to amend and reissue the financial statements.

Genex Power Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2014

		Consolidated	
	Note	**6 Month period ended 31 December 2014**	**12 Month period ended 30 June 2014**
		$	$
Revenue		14,284	3,384
Expenses			
Administrative expenses		(131,323)	(36,137)
Compliance cost and regulatory fees		(3,664)	(2,481)
Consulting and due diligence fees		(103,193)	(106,507)
Site costs		(646,023)	(54,225)
Legal fees		(917)	(216,915)
Travel and entertainment		(52,889)	(17,230)
Salary expenses		(403,500)	(109,375)
Loss before income tax expense		(1,327,225)	(539,486)
Income tax expense	3	(1,054)	(1,210)
Loss after income tax expense for the period attributable to the owners of Genex Power Limited		(1,328,279)	(540,696)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Genex Power Limited		(1,328,279)	(540,696)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Genex Power Limited
Statement of financial position
As at 31 December 2014

	Note	Consolidated 31 December 2014	30 June 2014
		$	$
Assets			
Current assets			
Cash and cash equivalents	4	753,865	238,907
Trade and other receivables	5	17,785	31,118
Prepayments		29,176	57,953
Total current assets		800,826	327,978
Non-current assets			
Other assets	6	3,804,311	3,804,311
Goodwill	7	3,804,312	3,804,312
Total non-current assets		7,608,623	7,608,623
Total assets		8,409,449	7,936,601
Liabilities			
Current liabilities			
Other payables	8	3,858,032	3,107,459
Loan payable	9	14,670	44,006
Provisions	10	234,000	234,000
Total current liabilities		4,106,702	3,385,465
Non-current liabilities			
Other payables	8	-	804,311
Provisions	11	3,570,311	3,570,311
Total non-current liabilities		3,570,311	4,374,622
Total liabilities		7,677,013	7,760,087
Net assets		732,436	176,514
Equity			
Share capital	12	2,601,496	717,350
Option reserves	13	85	30
Accumulated losses	14	(1,869,145)	(540,866)
Total equity		732,436	176,514

The above statement of financial position should be read in conjunction with the accompanying notes

Genex Power Limited
Statement of changes in equity
For the period ended 31 December 2014

Consolidated	Note	Issued capital	Option reserves	Accumulated losses	Total equity
		$	$	$	$
Balance at 1 July 2013		170	-	(170)	-
Loss after income tax expense for the period		-	-	(540,696)	(540,696)
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		170	-	(540,866)	(540,696)
Shares issued during the period net of issue costs	12	717,180	-	-	717,180
Share options issued during the period	13	-	30	-	30
Balance at 30 June 2014		717,350	30	(540,866)	176,514

Consolidated	Note	Issued capital $	Option reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014		717,350	30	(540,866)	176,514
Loss after income tax expense for the period		-	-	(1,328,279)	(1,328,279)
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		717,350	30	(1,869,145)	(1,151,765)
Shares issued during the period, net of issue cost	12	1,884,146	-	-	1,884,146
Share options issued during the period	13	-	55	-	55
Balance at 31 December 2014		2,601,496	85	(1,869,145)	732,436

The above statement of changes in equity should be read in conjunction with the accompanying notes

Genex Power Limited
Statement of cash flows
For the period ended 31 December 2014

	Note	Consolidated 6 month period ended 31 December 2014	12 month period ended 30 June 2014
Cash flows from operating activities		$	$
Receipts from customers for service rendered		-	-
Payments to suppliers and employees (inclusive of GST)		(1,382,473)	(524,483)
		(1,382,473)	(524,483)
Interest received		14,284	3,384
Income taxes paid		(1,054)	(1,210)
Net cash utilised by operating activities	24	(1,369,243)	(522,309)
Cash flows from investing activities		-	-
Payment for purchase of business, net of cash acquired		-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of ordinary shares		1,884,146	717,180
Proceeds from borrowings		-	44,006
Proceeds from issue of share options		55	30
Net cash from financing activities		1,884,201	761,216
Cash and cash equivalents at the beginning of the period		238,907	-
Cash and cash equivalents at the end of the period	4	753,865	238,907

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Basis of preparation

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

Historical cost convention
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.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Comparative information
Comparative information represents the 12 month period ending 30 June 2014 as published in the full year account of Genex Power Ltd for the year ended 30 June 2014 financial report.

Note 1. Significant accounting policies (continued)

The financial report has 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.

The consolidated entity incurred a net loss of $1,328,279 for the six month period ended 31 December 2014 (12 month period ended 30 June 2014: loss $540,696) and had a net cash outflow from operations of $1,369,243 for the six month period ended 31 December 2014 (12 month period ended 30 June 2014: $522,309). As at 13 December 2014, the consolidated entity's current liabilities exceeded its current assets by $3,305,876 (June 2014: $3,057,487).

The Directors nevertheless believe it appropriate for the financial statements to be prepared on a going concern basis. In forming their view, the Directors have considered the following matters:

- The company raised $2,000,000 equity capital in July 2014 to fund the project pre-feasibility study and the Group's working capital requirements.
- The Group is currently undertaking an IPO process seeking to raise at least $6,000,000 before 30 June 2015 and for this purpose the company has engaged one of Australia's largest stockbroking firms as the lead manager. This same stockbroker was the lead manager on the company's most recent successful unlisted capital raising of $2,000,000 referred to above.
- Historically, the company has successfully raised additional capital whenever required and as such should the anticipated IPO be delayed the directors do not see any reason why future capital raising would be unsuccessful.
- The Directors have prepared a cash flow forecast outlining the anticipated operating costs of the consolidated entity until December 2015. Management is confident it has the ability to control overhead costs and regulate cash outflows in the event the IPO is delayed and believe that the company has sufficient working capital to enable it to continue to operate over the period.
- Subsequent to the end of the reporting period, on 21 April 2015, Genex executed a Convertible Note Agreement with Zhefu Hydropower International Engineering Corporation Limited ("Zhefu"). The Convertible Note is for a principal sum of A$3,788,600, matures on 30 November 2015 and converts automatically upon IPO to 23,678,750 shares at a price of $0.16 per share.

  Conditions of the Convertible Note include:
  - Zhefu is required to subscribe for 20% of the IPO on terms consistent with IPO investors.
  - the Convertible Note can be redeemed for cash at any time prior to maturation.
  - in the event the IPO is delayed beyond the date of maturation the Convertible Note Holder has a call option to purchase shares in Genex (Kidston) Pty Ltd for an amount equal to the Redemption Amount.

  The funds raised will be sufficient to allow the company to meet its financial obligations and working capital requirements for the next 12 months.

After consideration of the above matters, the Directors believe it appropriate for the financial statements to be prepared on a going concern basis and accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Parent entity information
These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genex Power Limited ('Genex', 'company' or 'parent entity') as at 31 December 2014 and the results of all subsidiaries for the period then ended. Genex Power Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Note 1. Significant accounting policies (continued)

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

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

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest income is recognized at a time proportion basis that takes into account the effective yield on the financial assets.

Foreign currency translation
Functional and presentation currency
The financial statements of each entity within the group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian Dollars, which is the consolidated entity’s functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Genex Power Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

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

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Leases
Operating leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

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

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

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

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

Provisions
A provision for 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.

Employee benefits
Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured as the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions made by the group to an employee superannuation fund are recognised as an expense as they become payable.

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.

Note 1. Significant accounting policies (continued)

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 finalized as soon as the relevant information is available, within a period not to exceed twelve 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.

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the 6 month period ended 31 December 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018). AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on
  (a) the objective of the entity's business model for managing the financial assets; and
  (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The company has not yet assessed the impact of this standard.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015)

This standard limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015.

The company has not yet assessed the impact of this standard.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014).

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont.)
This standard makes amendments to define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities to AASB 12 Disclosure of Interests in Other Entities and AASB 127 Separate Financial Statements.

The company has not yet assessed the impact of this standard.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part B] (applicable for annual reporting periods commencing on or after 1 January 2014) and AASB 2014-1 Amendments to Australian Accounting Standards [Part C] (applicable for annual reporting periods commencing on or after 1 July 2014)

The changes made to AASB 1031 in respect of materiality withdraw the substantive content contained within the standard and provide signpost references to materiality in other Australian Accounting Standards.

The company has not yet assessed the impact of this standard.

AASB 2014-1 Amendments to Australian Accounting Standards [Part B] (applicable for annual reporting periods commencing on or after 1 July 2014)

Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method applied to the gross benefit.

The company has not yet assessed the impact of this standard.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 July 2016)

This standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset and to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The standard also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The company has not yet assessed the impact of this standard.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports

The company has not yet assessed the impact of this standard.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applicable for annual reporting periods commencing on or after 1 July 2015)

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The company has not yet assessed the impact of this standard.

Note 2. Critical accounting judgements, estimates and assumptions

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

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next period are discussed below.

Income tax
Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

A deferred tax asset has not been recognised for unused tax losses and deductible temporary differences as it is not considered probably that taxable profit will be available which the deductible temporary differences can be utilised.

Rehabilitation and restoration provision
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.

Business combinations
As stated in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Income tax expense

	6 Month period ended 31 December 2014 $	12 Month period ended 30 June 2014 $
Income tax expenses comprise:		
Current tax expense	-	-
Adjustment for under provision of current income tax of previous period	1,054	1,210
Deferred tax expense	-	-
Income tax expense for the period	1,054	1,210

Note 4. Cash and cash equivalents

	31 December 2014 $	30 June 2014 $
Cash at bank	753,865	238,907
Cash and cash equivalents	753,865	238,907

Note 5. Trade and other receivables

	31 December 2014 $	30 June 2014 $
GST receivable	17,785	31,118
Trade and other receivables	17,785	31,118

Note 6. Other assets - Non-Current

	31 December 2014 $	30 June 2014 $
Environmental bond (note 15)	3,804,311	3,804,311

The environmental bond is held by the State of Queensland (the State) for security for compliance with the requirements of Mineral Resources Act 1989 and the Environmental Protection Act 1994.The environmental bond is held in the name of Kidston Gold Mines Limited and will be released upon satisfactory restoration and rehabilitation of the mine site.

Note 7. Goodwill

	31 December 2014 $	30 June 2014 $
Cost	3,804,312	3,804,312
Net carrying amount	3,804,312	3,804,312

Refer to note 15 for details on the business combination that gave rise to the goodwill.

Note 8. Trade and other payables

	31 December 2014 $	30 June 2014 $
Current		
Trade creditors and accruals	31,969	94,273
PAYG withholdings	21,752	13,186
Bond release payable (i)	3,804,311	3,000,000
	3,858,032	3,107,459
Non-current		
Bond release payable (i)	-	804,311

(i) Under the terms of the Share Sale Agreement, the consolidated entity is required to pay an amount of $3,804,311 to procure from the vendor those financial guarantees made to the State of Queensland on behalf of Kidston Gold Mines Limited (refer to note 15 for further details).

The Share Sale Agreement and subsequent deferrals allowed by the vendor provides for instalment payments due in August 2015 and December 2015.

Refer to note 16 for further information on financial instruments.

Note 9. Loan payable

	31 December 2014 $	30 June 2014 $
Loan payable	14,670	44,006

Refer to note 16 for further information on financial instruments.

Note 10. Current liabilities - provisions

	31 December 2014 $	30 June 2014 $
Rehabilitation and restoration provision	234,000	234,000

Note 11. Non-current liabilities - provisions

	31 December 2014 $	30 June 2014 $
Rehabilitation and restoration provision	3,570,311	3,570,311

Note 12. Equity - issued capital

	31 December 2014 Shares	30 June 2014 Shares	31 December 2014 $	30 June 2014 $
Ordinary shares - fully paid	94,715,000	74,700,000	2,601,496	717,350

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	17,000,000		170
Issue of shares	2 September 2013	23,000,000	$0.00001	230
Issue of shares	29 October 2013	20,000,000	$0.00001	200
Issue of shares	14 March 2014	14,700,000	$0.05	735,000
Issue of shares	5 May 2014	15,000	$0.05	750
Share issue costs, net of tax				(19,000)
Balance	30 June 2014	74,715,000		717,350
Issue of shares	18 July 2014	19,309,000	$0.10	1,930,900
Issue of shares	27 July 2014	691,000	$0.10	69,100
Share issue costs, net of tax		-	-	(115,854)
Movement for the period		20,000,000		1,884,146
Balance	31 December 2014	94,715,000		2,601,496

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

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

Note 13. Equity - option reserves

	31 December 2014	30 June 2014
Option reserves	85	30

Option reserve
During the period, in addition to 3 million share options previously issued and held as at 30 June 2014, the board of directors authorised the issue of 5.5 million share options in the consolidated entity. The total issued options outstanding are 8.5 million as at 22 May 2015. These share options are the only outstanding share options of the consolidated entity. The terms attached to the share options are outlined below:

Subscription price per option	$0.00001
Each option is convertible into	1 ordinary share in the parent entity
Exercise price per option	$0.25
Vesting condition	Vesting on issue date
Issue date	1 July 2014
Expiry date	7 February 2019
Option exercise period	At any time from date of issue to date of expiry
Other conditions	None

Note 14. Equity – accumulated losses

	31 December 2014 $	30 June 2014 $
Accumulated losses at the beginning of the period	540,866	170
Loss after income tax expense for the period	1,328,279	540,696
Accumulated losses at the end of the period	1,869,145	540,866

Note 15. Business combinations

On **4 June 2014** Genex (Kidston) Pty Limited ("Kidston"), a subsidiary of the consolidated entity, acquired 100% of the ordinary shares of Kidston Gold Mines Limited ("KGM") for the total consideration of $3,804,312. KGM leases a non-operational mine site in Northern Queensland previously known as the Kidston Gold mine. This mine closed in 2001, and has been in remediation mode since this time.

KGM was acquired for the strategic placement of the non-operational mine site which will allow for the development of a pump-storage power generation station.

Details of the purchase consideration, the net assets (liabilities) acquired and goodwill are as follows:

	AUD $
Purchase consideration	
Cash paid	1
Bond release payable (note 8)	3,804,311
Total purchase consideration	3,804,312

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value recognised on acquisition AUD
Assets	
Environmental bond (note 6)	3,804,311
Liabilities	
Rehabilitation provision (note 10 and 11)	(3,804,311)
Total identifiable net assets at fair value	-
Add: Goodwill (note 7)	3,804,312
Acquisition-date fair value of the total consideration transferred	3,804,312

Contingent consideration

Prior to the acquisition of KGM by Kidston, management of KGM provided a revised Environmental Protection Agency Bond ("Bond") position to the department of Natural Resources and Mines of the State of Queensland for review, but no revised bond requirement had yet been stipulated by authorities.

The Bond value calculated up to the acquisition date stipulates a maximum additional payment of $913,306, contingent on any government agency requiring this additional bond up to November 30, 2014. In the absence of any such additional request, no payment is required in addition to the bond release payable as disclosed in note 8. The directors are of the opinion that KGM will not be required to lodge an additional Bond and accordingly, the additional $913,306 has not been included as part of the purchase consideration as its fair value at the date of acquisition is assessed as nil.

Note 16. Financial instruments

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

The Board of Directors oversees management's establishment and execution of the consolidated entity's risk management framework. Management has implemented and monitors compliance with risk management policies. The consolidated entity's risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the consolidated entity's activities.

Market risk
Market risk is the risk that changes in market prices, such as electricity prices, foreign exchange rates and interest rates, will affect the consolidated entity's net earnings or the value of the financial instruments. The objective of market risk management is to manage and control exposure within acceptable limits, while maximizing returns.

Electricity price risk
Electricity price risk is the risk that the fair value of future cash closes will fluctuate as a result of changes in electricity prices. The consolidated entity is not exposed to any significant price risk.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The consolidated entity is not exposed to any significant interest rate risk at 31 December 2014.

Currency risk
Currency risk is the risk that a variation in exchange rates between the Australian dollar and foreign currencies will affect the consolidated entity's operating and financial results. The consolidated entity is not exposed to any significant foreign currency risk at 31 December 2014.

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

The maximum exposure to credit risk is as follows:

	31 December 2014	30 June 2014
	$	$
Cash and cash equivalents	753,865	238,907
Trade and other receivables	17,785	31,118
	771,650	270,025

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

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

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 31 December 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	%	3,826,208	-	-	-	3,826,208
Interest-bearing – fixed rate						
Loan payable	8.15%	14,670	-	-	-	14,670
Total non-derivatives		3,840,878	-	-	-	3,840,878

Consolidated – 30 June 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	%	3,107,459	804,311	-	-	3,911,770
Interest-bearing – fixed rate						
Loan payable	8.15%	44,006	-	-	-	44,006
Total non-derivatives		3,151,465	804,311	-	-	3,955,776

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 17. Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amount of financial assets and financial liabilities is reasonable approximation of their fair value at 31 December 2014

Note 18. Key management personnel disclosures

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

	31 December 2014 $	30 June 2014 $
Short-term employee benefits	403,500	109,375

Note 19. Remuneration of auditors

During the period the following fees were paid or payable for services provided by William Buck, the auditor of the Genex Power Limited:

	31 December 2014 $	30 June 2014 $
Audit of the financial statements	15,000	20,000

Note 20. Contingent liabilities

There are no contingent liabilities other than those disclosed in note 15.

Note 21. Related party transactions

Controlled entities
Controlled entities are entities over which the parent company has the power to govern the financial and operating policies so as to obtain benefits from their activities. Because inter-entity transactions and balances involving controlled entities are eliminated upon consolidation, controlled entities are considered as related parties only in the case of the parent entity's separate financial statements. A list of controlled entities is provided in note 23 to these financial statements.

Key management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the parent entity and its controlled entities, directly or indirectly, including and director (whether executive or otherwise) of the entity, is considered key management personnel. Disclosures relating to key management personnel are set out in note 18 to these financial statements.

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

Options
On 1 July 2014, the board authorised the issue of 5,500,000 share options on terms as outlined in note 13 above, to key management personnel.

Shares
During the period no shares were issued as outlined in note 13 above to key management personnel.

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	6 Month period ended 31 December 2014	**12 Month period ended 30 June 2014**
	$	$
Loss after income tax	669,650	540,696
Total comprehensive income	669,650	540,696

Statement of financial position

	31 December 2014	**30 June 2014**
	$	$
Total current assets	1,459,503	327,877
Total assets	1,459,503	327,978
Total current liabilities	68,390	151,464
Total liabilities	68,390	151,464
Equity		
Issued capital	2,601,496	717,350
Option reserves	85	30
Accumulated losses	(1,869,145)	(540,866)
Total equity	732,436	176,514

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
As disclosed in note 15, Kidston acquired 100% of the ordinary shares of KGM. Under the terms of the Share Sale Agreement, the parent entity has guaranteed the obligations of Kidston.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2014 and 30 June 2014.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 23. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	31 December 2014 %	30 June 2014 %
Genex (Kidston) Pty Limited	Australia	100.00%	100.00%
*Kidston Gold Mines Limited	Australia	100.00%	100.00%

*Kidston Gold Mines Limited is 100% owned by Genex (Kidston) Pty Limited

Note 24. Reconciliation of profit after income tax to net cash from operating activities

	6 month period ended 31 December 2014 $	12 month period ended 30 June 2014 $
Loss after income tax expense for the period	(1,328,279)	(540,696)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	13,333	(31,118)
Decrease in prepayments	28,777	(57,953)
Decrease in trade and other payables	(83,074)	107,458
Net cash from operating activities	(1,369,243)	(522,309)

Note 25. Events after the reporting period

Subsequent to the end of the period 31 December 2014 the following events took place:

On the 21 April 2015, Genex executed a Convertible Note Agreement with Zhefu Hydropower International Engineering Corporation Limited (“Zhefu”). The Convertible Note is for a principal sum of A$3,788,600, matures on the 30 November 2015 and converts automatically upon IPO to 23,678,750 shares at a price of $0.16 per share.
Conditions of the Convertible Note include:

- Zhefu is required to subscribe for 20% of the IPO on terms consistent with IPO investors.
- the Convertible Note can be redeemed for cash at any time prior to maturation.
- in the event the IPO is delayed beyond the date of maturation the Convertible Note Holder has a call option to purchase shares in Genex (Kidston) Pty Ltd for an amount equal to the Redemption Amount.

Apart from the matters outlined above there have been no other material events or circumstances which have arisen since 31 December 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Genex Power Limited
Directors' declaration
For the period ended 31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto present fairly the consolidated entity's financial position as at 31 December 2014 and of its performance for the period ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 15 to the financial statements.

Signed in accordance with a resolution of directors.

On behalf of the directors

____

Director

22 May 2015
Sydney

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENEX POWER LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report on pages 10 to 33, being a special purpose financial report of Genex Power Limited (the Company), which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1, is appropriate to meet the requirements of the Australian Accounting Standards and Australian Accounting Interpretations which are appropriate to meet the needs of the members. Management's responsibility also includes such internal control as management determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENEX POWER LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion
In our opinion, the financial report on pages 10 to 33 presents fairly, in all material respects, the financial position of Genex Power Limited and consolidated entities as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with the financial reporting requirements of the Australian Accounting Standards and Australian Accounting Interpretations.

Basis of Accounting
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Company to meet the requirements of the Australian Accounting Standards and Australian Accounting Interpretations. As a result, the financial report may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Report
This auditor's report relates to the financial report of Genex Power Limited for the period ended 31 December 2014 included on Genex Power Limited's web site. The Company's directors are responsible for the integrity of the Genex Power Limited's web site. We have not been engaged to report on the integrity of the Genex Power Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt
Partner
22 May 2015