

Genesis Minerals Limited and controlled entities

ABN 72 124 772 041

Interim Financial Report

for the half year ended 31 December 2017

GENESIS MINERALS LIMITED
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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GENESIS MINERALS LIMITED
DIRECTORS' REPORT
31 DECEMBER 2017

Your directors present their report, together with the interim financial statements of the Group, being Genesis Minerals Limited (the Company) and its controlled entities, for the half year ended 31 December 2017.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the half year are:

NAMES	POSITION
Richard Hill	Non-Executive Chairman
Michael Fowler	Managing Director
Darren Gordon	Non-Executive Director
Craig Bradshaw	Non-Executive Director (appointed 7 September 2017)

OPERATING RESULTS

The consolidated loss of the Group amounted to \$2,236,569 (2016: \$500,436) after providing for income tax.

At the end of the half year the Group had a net cash balance of \$2,875,644 (30 June 2017: \$4,155,593) and net assets of \$2,535,192 (30 June 2017: \$4,361,048).

REVIEW OF OPERATIONS

Ulysses Gold Project

The Ulysses Gold Project is located in Western Australia, approximately 30km south of Leonora and 200km north of the regional mining centre of Kalgoorlie. During the half year the Company completed a positive Scoping Study and commenced a Feasibility Study on the planned development of a long-term underground mining operation.

Ulysses West

A drilling program comprising eight Reverse Circulation (RC) holes for 1,505m was completed at the Ulysses Gold Project in August 2017 with all but one of the holes targeted at the Ulysses Resource. This followed up the 9-hole RC program completed in May and reported in the ASX announcement of 3 July 2017.

One hole as part of the program was drilled at Orient Well NW to follow up significant mineralisation defined by previous Aircore (AC) drilling.

The drilling continued to target the high-grade shoot which is interpreted to extend beneath the Goldfields Highway at depth from below the Ulysses West pit.

The assay results received from the drilling program confirmed significant down-plunge extensions of the existing Ulysses Mineral Resource (2.8Mt at 2.3g/t Au for 206,400oz).

Results returned from the August drilling campaign included:

- **7m @ 4.69g/t gold from 152m** **17USRC120**
- **10m @ 6.42g/t gold from 128m** **17USRC121**
including 2m @ 16.3g/t gold
- **10m @ 1.70g/t gold from 129m** **17USRC122**
- **6m @ 6.06g/t gold from 170m** **17USRC123**
including 2m @ 16.8g/t gold
- **5m @ 2.55g/t gold from 184m** **17USRC125**
- **5m @ 2.44g/t gold from 60m** **17USRC126**
- **2m @ 4.73g/t gold from 200m** **17USRC126**

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The results from the August drilling correlate with and complement the high-grade results reported in the ASX announcement of 3 July 2017 (from the May drilling campaign), which included:

- **7m @ 4.11g/t gold from 153m 17USRC119**
- **4m @ 6.11g/t gold from 177m 17USRC112**
- **3m @ 1.87g/t gold from 220m and 2m at 3.34g/t Au from 246m 17USRC111**

Drilling has confirmed the Ulysses West shoot now has a significant plunge extent and is open at depth. The drilling has also continued to improve the Company's understanding of the geological controls on the high-grade mineralisation.

A full list of results from the August 2017 drill campaign was provided in the Company's ASX Announcement dated 6 September 2017.

On the strength of the results from the deeper drilling, Genesis completed a positive Scoping Study which confirmed the potential of an underground mine at Ulysses assuming a toll-treatment of ore as the base case scenario (see ASX Release 21 September 2017).

The positive Scoping Study results have confirmed the potential technical and economic viability of an underground mine at Ulysses, based on decline access from the Ulysses West open pit. The drilling that was completed in August into the Ulysses West shoot was not included in the Scoping Study.

Based on the strength of the Scoping Study results the Company had sufficient confidence to move ahead immediately with a Feasibility Study to assess the viability of a long-life underground mine operation.

As part of the Feasibility Study, the Company undertook a resource upgrade and extensional drilling program. Based on the initial positive results received the program was extended to a total of 58 holes for 10,239m of RC and diamond drilling which was completed in December 2017.

Results received for the first 13 RC holes were reported to the ASX on 10 November 2017. The initial batch of results delivered a number of high-grade intercepts including:

- **12m @ 4.42g/t gold from 135m 17USRC130**
- **8m @ 5.16g/t gold from 109m 17USRC133**
- **4m @ 6.38g/t gold from 142m 17USRC134**
- **4m @ 4.09g/t gold from 154m 17USRC135**
- **2m @ 7.07g/t gold from 138m 17USRC136**
- **4m @ 6.82g/t gold from 110m 17USRC139**

The Company received assay results for the next 11 RC holes (17USRC141 to 151) and reported these to the ASX on 4 December 2017. Significant assay results for the next 11 RC holes included:

- **14m @ 5.93g/t gold from 120m 17USRC147**
- **6m @ 5.08g/t gold from 157m 17USRC148**
- **2m @ 12.15g/t gold from 145m 17USRC146**
- **4m @ 4.55g/t gold from 188m 17USRC142**
- **5m @ 3.95g/t gold from 142m 17USRC149**
- **2m @ 5.17g/t gold from 156m 17USRC150**
- **2m @ 5.03g/t gold from 126m 17USRC151**
- **2m @ 5.98g/t gold from 150m 17USRC151**

The results for the final batch of 23 RC holes and the 11 diamond holes drilled were released to the ASX on 25 January 2018.

The results provide strong confirmation of the continuity, grade and widths of deeper mineralisation below the open pit and current Mineral Resource, both inside and outside the current Resource boundary.

Drilling to expand the current resource has been very successful and demonstrates clearly that high-grade mineralisation continues over mineable widths (results reported are approximately true widths) down-plunge below the open pit and well beyond the limits of the current Mineral Resource envelope.

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The results from the most recent drilling program are being utilised in the current Feasibility Study on underground mining at Ulysses. The Company expects to complete the Ulysses Underground Feasibility Study by the end of Q1 2018 to evaluate the technical and economic viability of a long-term underground mining operation.

Orient Well NW Prospect

A one-off RC hole drilled at the Orient Well NW prospect in August 2017 to follow-up a zone of anomalous gold intersected in previous aircore drilling returned an outstanding intercept of **5m @ 22.2g/t gold** from 95m and **20m @ 0.43g/t Au** from 100m in 17USRC127.

The intersections highlight the significant potential to define a large, gold mineralised system at Orient Well NW. Mineralisation is hosted within a highly weathered and foliated felsic unit with quartz veining and iron oxide after sulphide.

The style of mineralisation has similarities to the Orient Well deposit located about 2km to the SE of 17USRC127. The orientation and geometry of the mineralisation in 17USRC127 is unclear but a NW trend to the overall strike of the mineralisation is interpreted. The Orient Well NW prospect sits in a similar structural position to Ulysses.

Barimaia Gold Project

In May 2017, Genesis secured an Option Agreement over the highly prospective Barimaia Gold Project, located in the Murchison district of Western Australia, opening up an exciting new front for its gold exploration and growth activities.

The Option Agreement was signed with private company, Metallo Resources Pty Ltd (Metallo), and provided Genesis with an attractive, low risk opportunity to assess a highly prospective ground package located just 10km south-east of the 6Moz Mt Magnet Gold Mine, operated by ASX listed, Ramelius Resources Limited. Metallo holds the right to earn-in to an initial 65% interest in the Barimaia Gold Project (the Mt Magnet JV), with the potential to earn up to a maximum 80% stake.

The Company considers the Barimaia Project to offer the potential for the discovery of large, low strip ratio porphyry-hosted gold deposits.

The Barimaia Project is close to Mt Magnet and a number of other gold processing facilities in the region that may provide a potential low-cost pathway to production should an economic discovery be made.

RC drilling was completed to test the McNabs Prospects and aircore drilling was completed to link the previously identified porphyry intrusions at the McNabs, McNabs East and McNabs SW prospects and to extend the porphyry system to the north, south and east (see ASX Announcements dated 20 July and 21 August, 2017).

The drilling has identified three large bedrock gold targets associated with the McNabs porphyry system, with assay results from RC drilling returning impressive thick high-grade gold intercepts including hits of up to **17m at 3.36g/t Au** from 49m and **9m at 18.8g/t Au** from 75m.

Results from the aircore drilling program have confirmed an extensive area of anomalous gold mineralisation over a 1.0km x 1.5km area centred on the McNabs and McNabs East Prospects. Significant results from the aircore drilling program include **5m @ 1.77g/t gold** from 40m, **14m @ 0.24g/t gold** from 15m and **5m @ 0.53g/t gold** from 15m.

Following the very positive results generated by the exploration program outlined above, Genesis announced on 21 August 2017 of its intention to proceed with the option to acquire Metallo subject to completing the final conditions of the Option Agreement. The acquisition was completed on 19 September 2017 for consideration of \$250,000 by means of issuing 11,363,636 shares at \$0.022 per share.

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In December 2017 the Company completed a 2,500m RC drill program to follow-up the significant results returned in August, focussing on the three large bedrock gold targets which have been confirmed over a 1.0km by 1.5km zone centred on McNabs and McNabs East. The assay results from the December drill program are expected to be received in February 2018.

Viking Gold Project

No exploration activities were conducted during the half year at the Viking Gold Project, located in Western Australia, approximately 30km south-east of Norseman. Previous drilling by Genesis at the Beaker 2 Prospect has defined a Resource Target Zone extending over a strike length of 500m and a width of 100m. Importantly, all of the mineralisation intersected at the Beaker 2 Prospect to date occurs in the oxide (supergene zone). The potential for a primary mineralisation source remains to be tested, and this remains an exciting opportunity for the Company. A +1.5km long aircore defined gold anomaly remains to be drill tested.

SUBSEQUENT EVENTS

Other than noted elsewhere in this report, no matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2017 has been received and can be found on page 7 of the interim financial report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



Michael Fowler
Managing Director

Perth, 19 February 2018

GENESIS MINERALS LIMITED
DIRECTORS' REPORT
31 DECEMBER 2017

COMPETENT PERSONS STATEMENTS

The information in this report that relates to Exploration Results is based on information compiled by Mr. Michael Fowler who is a full-time employee of the Company, a shareholder of Genesis Minerals Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr. Fowler has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Fowler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Information in this report that relates to Mineral Resources is based on information compiled by Mr Paul Payne, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Payne Geological Services and is a shareholder of Genesis Minerals Limited. Mr Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ulysses Gold Deposit – May 2017 Mineral Resource (0.75g/t Cut-off)

Type	Measured		Indicated		Inferred		Total		
	Tonnes (t)	Au Cut (g/t)	Tonnes (t)	Au Cut (g/t)	Tonnes (t)	Au Cut (g/t)	Tonnes (t)	Au Cut (g/t)	Cut Ounces
Oxide	7,000	2.0	176,000	1.7	79,000	1.5	262,000	1.6	13,800
Transition	8,000	2.6	392,000	1.8	172,000	1.7	573,000	1.8	32,900
Fresh	10,000	5.3	1,285,000	2.7	674,000	2.2	1,968,000	2.5	159,700
Total	25,000	3.4	1,853,000	2.4	925,000	2.0	2,803,000	2.3	206,400

NB. Rounding differences may occur.

Full details of the Mineral Resource estimate are provided in the Company's ASX Announcement dated 8 May 2017.

GENESIS MINERALS LIMITED
DIRECTORS' DECLARATION
31 DECEMBER 2017

The directors of the Group declare that:

1. the interim financial statements and notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standard 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half year ended on that date of the company and consolidated group;
2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Michael Fowler
Managing Director

Dated 19 February 2018

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Genesis Minerals Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 19th day of February 2018

GENESIS MINERALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		31 DECEMBER	31 DECEMBER
		2017	2016
	NOTE	\$	\$
Revenue	3	20,240	8,940,015
Mining costs		(107,217)	(7,724,944)
Salaries and employee benefits expenses		(162,183)	(71,271)
Corporate expenses		(120,653)	(126,856)
Administrative expenses		(130,475)	(316,047)
Depreciation expenses		(1,259)	(462)
Share based payments expenses	8	(62,389)	(441,486)
Exploration expenses		(1,672,633)	(759,385)
Loss before income taxes		(2,236,569)	(500,436)
Income tax expense		-	-
Loss for the half year		(2,236,569)	(500,436)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	(3,312)
Total comprehensive loss for the half year attributable to members of Genesis Minerals Limited		(2,236,569)	(503,748)
Loss per share			
Basic and diluted loss per share (cents)		(0.30)	(0.08)

This Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

GENESIS MINERALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		31 DECEMBER	30 JUNE
	NOTE	2017	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,875,644	4,155,593
Trade and other receivables	4	62,321	1,126,218
TOTAL CURRENT ASSETS		2,937,965	5,281,811
NON-CURRENT ASSETS			
Plant and equipment		8,677	8,986
TOTAL NON-CURRENT ASSETS		8,677	8,986
TOTAL ASSETS		2,946,642	5,290,797
CURRENT LIABILITIES			
Trade and other payables	5	291,165	827,650
Provisions		120,285	102,099
TOTAL CURRENT LIABILITIES		411,450	929,749
TOTAL LIABILITIES		411,450	929,749
NET ASSETS		2,535,192	4,361,048
EQUITY			
Issued capital	6	24,467,269	24,118,945
Reserves		1,334,316	1,271,927
Accumulated losses		(23,266,393)	(21,029,824)
TOTAL EQUITY		2,535,192	4,361,048

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

GENESIS MINERALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

31 DECEMBER 2017

	ORDINARY SHARES \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	TOTAL \$
Balance at 1 July 2017	24,118,945	(21,029,824)	1,271,927	-	4,361,048
Losses attributable to members of the parent entity	-	(2,236,569)	-	-	(2,236,569)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(2,236,569)	-	-	(2,236,569)
Shares issued during the half year	352,000	-	-	-	352,000
Share issue costs	(3,676)	-	-	-	(3,676)
Share based payments	-	-	62,389	-	62,389
Sub-total	348,324	(2,236,569)	62,389	-	(1,825,856)
Balance at 31 December 2017 <small>30 June 2014</small>	24,467,269	(23,266,393)	1,334,316	-	2,535,192

31 DECEMBER 2016

	ORDINARY SHARES \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	TOTAL \$
Balance at 1 July 2016	19,499,272	(20,311,483)	1,271,907	(35,178)	424,518
Losses attributable to members of the parent entity	-	(500,436)	-	-	(500,436)
Other comprehensive income	-	-	-	(3,312)	(3,312)
Total comprehensive income	-	(500,436)	-	(3,312)	(503,748)
Shares issued during the half year	4,676,486	-	-	-	4,676,486
Share issue costs	(56,813)	-	-	-	(56,813)
Share based payments	-	-	-	-	-
Sub-total	4,619,673	(500,436)	-	(3,312)	4,115,926
Balance at 31 December 2016 <small>30 June 2014</small>	24,118,945	(20,811,919)	1,271,907	(38,490)	4,540,443

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

GENESIS MINERALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 DECEMBER	31 DECEMBER
	2017	2016
	\$	\$
CASH FROM OPERATING ACTIVITIES:		
Gold Sales	1,217,110	2,355,678
Payments to suppliers and employees	(394,892)	(306,082)
Interest received	20,240	11,280
Payments for mining activities	(743,990)	(1,818,344)
Payments for exploration and evaluation expenditure	(1,477,629)	(863,415)
Net cash used by operating activities	(1,379,161)	(620,883)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(950)	-
Net cash used in investing activities	(950)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares	102,000	1,710,000
Payment of share issue costs	(1,838)	(56,813)
Net cash provided by financing activities	100,162	1,653,187
Net cash increase / (decrease) in cash and cash equivalents	(1,279,949)	1,032,304
Effects of exchange rate changes on cash and cash equivalents	-	(2,562)
Cash and cash equivalents at beginning of the period	4,155,593	711,989
Cash and cash equivalents at end of the period	2,875,644	1,741,731

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

1 BASIS OF PREPARATION

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Genesis Minerals Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

The registered office and principal place of business of the Group is: Unit 6, 1 Clive Street West Perth WA 6005.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) GOING CONCERN

The half year 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 ordinary course of business.

Although the Group incurred a loss for the half year of \$2,236,569 (2016: \$500,436) as at 31 December 2017, the Group has a working capital surplus of \$2,526,515 and cash on hand of \$2,875,644.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

REVENUE RECOGNITION:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SALE OF GOODS – GOLD ORE

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable.

This is generally when title passes, which for the sale of ore represents the bill of lading date when the ore is delivered for shipment to the mill. Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Royalties paid and payable are separately reported as expenses.

Contract terms for the Group's sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

SHARE BASED PAYMENTS

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted (for employees) or their measurement date (for other service providers). For Options, the fair value is determined by an internal valuation using a Black-Scholes option pricing model. The valuation relies on the use of certain assumptions. If the assumptions were to change, there may be an impact on the amounts reported. For ordinary shares which are traded on the stock exchange, the fair value is determined by reference to the closing price of the security on the measurement date.

ENVIRONMENTAL ISSUES

Balances disclosed in the interim financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

TAXATION

Balances disclosed in the interim financial statements and notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the director's best estimate, pending an assessment by the Australian Taxation Office.

(C) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group 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 half year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the period.

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

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 9: Financial Instruments and associated Amending Standards

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is unlikely to have a material impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

GENESIS MINERALS LIMITED
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3 REVENUE

	31 DECEMBER	31 DECEMBER
	2017	2016
	\$	\$
Sales of gold	-	8,928,735
Interest revenue	20,240	11,280
	<u>20,240</u>	<u>8,940,015</u>

4 TRADE AND OTHER RECEIVABLES

	31 DECEMBER	30 JUNE
	2017	2017
	\$	\$
Accrued income – sales of gold	-	1,106,464
Other receivables	62,321	19,754
	<u>62,321</u>	<u>1,126,218</u>

The Group expects the above trade and other receivables to be recovered within 12 months of 31 December 2017 and therefore considers the amounts shown above at cost to be a close approximation of fair value.

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5 TRADE AND OTHER PAYABLES

	31 DECEMBER	30 JUNE
	2017	2017
	\$	\$
Trade payables	273,227	280,264
Other payables and accruals	17,938	547,386
	<u>291,165</u>	<u>827,650</u>

6 ISSUED CAPITAL

754,544,512 (30 June 2017: 737,180,876) Ordinary shares	25,433,130	25,081,130
Value of conversion rights	25,633	25,633
Share issue costs written off against issued capital	(991,494)	(987,818)
	<u>24,467,269</u>	<u>24,118,945</u>

MOVEMENT IN ORDINARY SHARES

	NO.	\$
Balance at 1 July 2016	567,780,876	19,499,272
Placement – 15 August 2016	68,400,000	1,710,000
Shares issued for drilling – 15 August 2016	1,000,000	25,000
Shares issued for mining services – 25 November 2016	100,000,000	2,941,486
Less share issue costs	-	(56,813)
Balance at 31 December 2016	<u>737,180,876</u>	<u>24,118,945</u>
Balance at 1 July 2017	737,180,876	24,118,945
Shares issued to vendors of Metallo Resources Pty Ltd – 19 September 2017	11,363,636	250,000
Shares issued upon exercise of options – 14 December 2017	2,000,000	34,000
Shares issued upon exercise of options – 21 December 2017	4,000,000	68,000
Less share issue costs	-	(3,676)
Balance at 31 December 2017	<u>754,544,512</u>	<u>24,467,269</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

7 OPERATING SEGMENTS

The entities comprising the former South America operating segment, Genesis Minerals (Chile) S.A. and Genesis Minerals (Argentina) S.A. were sold during the year ended 30 June 2017. For the half-year ended 31 December 2016, the South American operations incurred a net loss of \$168,515. For the half-year ended 31 December 2017, the Group operated in one segment, Australia.

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8 SHARE-BASED PAYMENTS

Pursuant to shareholder approval, 16,800,000 options, valued at \$225,600, were issued to Directors in the 6 month period to 31 December 2017 (2016: Nil). An amount of \$62,389 was expensed to share based payments (2016: \$441,486 relating to the issue of 100 million shares issued to SMS Innovative Mining Pty Ltd in lieu of \$2,500,000 of mining services. The value of the shares issued to SMS on measurement date was \$2,941,486 and the excess of \$441,486 was expensed to share-based payments).

A summary of the movements in options on issue during the half year is as follows:

EXPIRY DATE	EXERCISE PRICE (CENTS)	1 JULY 2017	LAPSED	ISSUED	EXERCISED	BALANCE AT THE END OF THE PERIOD	VESTED AND EXERCISABLE AT THE END OF THE PERIOD
22 December 2017	1.7	6,000,000	-	-	(6,000,000)	-	-
13 December 2019	3.9	-	-	4,800,000	-	4,800,000	4,800,000
13 December 2020	4.2	-	-	4,800,000	-	4,800,000	-
13 December 2021	4.5	-	-	7,200,000	-	7,200,000	-

9 FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

10 CONTINGENT LIABILITIES

There has been no change in the nature of contingent liabilities since the last annual reporting period.

11 SUBSEQUENT EVENTS

Other than noted elsewhere in this report, no matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

12 RELATED PARTY TRANSACTIONS

During the half-year, Mr Craig Bradshaw was appointed as Non-Executive Director on 7 September 2017. Remuneration for Mr Bradshaw is consistent with that of other Non-Executive Directors.

Options were issued to Directors as disclosed at Note 8.

There were no other changes to the nature of related party transactions in the 6 month period ending 31 December 2017.

13 ACQUISITION OF BARIMAIA GOLD PROJECT

During the half-year, the Group completed the acquisition of Metallo Resources Pty Ltd ("Metallo"). Metallo holds the right to earn-in to an initial 65 per cent interest in the Barimaia Gold Project (Mt Magnet Joint Venture), with the potential to earn up to a maximum 80 per cent stake. The Group acquired Metallo on 19 September 2017 by means of issuing 11,363,636 shares at a price of \$0.022 per share for total consideration of \$250,000, and for accounting purposes was considered as an acquisition of an asset.

GENESIS MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 FARM-IN AND JOINT VENTURE COMMITMENTS

The Barimaia Gold project is subject to a Farm-In and Joint Venture Agreement (Mt Magnet Joint Venture) under which the Group's 100% owned subsidiary, Metallo Resources Pty Ltd ("Metallo"), is required to spend \$750,000 on exploration activities over three years to earn an initial 65% interest in the Project. Metallo has until 26 February 2019 to complete the first stage earn in. As at 31 December 2017, Metallo has spent \$520,467 (including 10% allocation for overhead costs) on the earn in.

Following satisfaction of the initial 65% earn-in, the Project Vendor may elect to form a Joint Venture ("JV"). If the Project Vendor does not elect to form a JV, Metallo may elect to form the JV or continue sole funding exploration, and earn a further 15% interest by spending \$1 million on exploration over a further two years (amounting to \$1.75M in expenditure over five years to earn an 80% interest). The five year earn in period expires on 26 February 2021.

Metallo in its sole discretion may elect to withdraw from the Farm-In Joint Venture at any time.

Independent Auditor's Review Report

To the Members of Genesis Minerals Limited

We have reviewed the accompanying financial report of Genesis Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

To the Members of Genesis Minerals Limited (Continued)



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Genesis Minerals Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Doug Bell".

DOUG BELL CA
Director

Dated at Perth this 19th day of February 2018