

Genesis Minerals Limited

ABN 72 124 772 041

Annual Financial Report

for the year ended 30 June 2009

Corporate Information

ABN 72 124 772 041

Directors

Michael Haynes (Non Executive Chairman)

Michael Fowler (Managing Director)

Graeme Smith (Non Executive Director)

Company Secretary

Graeme Smith

Registered Office

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WEST PERTH WA 6872

Solicitors

Wright Legal

1/103 Colin Street

WEST PERTH WA 6005

Share Register

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

PERTH WA 6000

Auditors

Bentleys

Level 1, 12 Kings Park Road

WEST PERTH WA 6005

Internet Address

www.genesisminerals.com.au

Email Address

info@genesisminerals.com.au

Securities Exchange Listing

Genesis Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: GMD).

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Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Genesis Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Haynes, (Non Executive Chairman)

Mr. Haynes has more than 18 years experience in the mining industry. Mr. Haynes graduated from the University of Western Australia with an honours degree in geology and geophysics. Throughout his career he has been intimately involved in the exploration and development of resource projects, targeting a wide variety of commodities, throughout Australia and extensively in Southeast and Central Asia, Africa, North and South America, and Europe.

Mr. Haynes has held technical positions with both BHP Minerals Limited and Billiton plc. He ran his own successful consulting business for a number of years providing professional geophysical and exploration services to both junior and major resource companies. He has worked extensively on project generation and acquisition throughout his career. Over the past five years he has been intimately involved in the incorporation and initial public offerings of several resources companies, and in the ongoing financing and management of these companies.

Mr. Haynes is a Director of Overland Resources Limited (appointed 9 May 2005) and Black Range Minerals Limited (appointed 27 June 2005). Mr Haynes was a Director of Iberian Resources Limited (appointed 21 October 2003, resigned 31 July 2007), Bellamel Mining Limited (appointed 16 May 2007, resigned 31 December 2008) and Elk Petroleum Limited (appointed 19 January 2005, resigned 8 April 2005).

Michael Fowler, (Managing Director)

Michael Fowler is a geologist with 20 years industry experience. Mr Fowler graduated from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology and in 1999 received a Master of Science majoring in Ore Deposit Geology from the University of Western Australia. On graduating he explored for gold and base metals for Dominion Mining in the Murchison, Gascoyne and Eastern Goldfields Regions of Western Australia.

In 1996, Mr Fowler joined Croesus Mining NL and was made Exploration Manager in 1997. He oversaw all exploration for Croesus until June 2004 and was then appointed Business Development Manager and then Managing Director in October 2005. Mr Fowler has been responsible for the discovery and development of several significant gold deposits. He has been heavily involved in a number of significant acquisitions and project reviews. Mr Fowler is currently working as Exploration Manager for Castle Minerals, and within the last 3 years he was a Non Executive Director of Azure Minerals Limited (resigned September 2007).

Graeme Smith, (Non Executive Director)

Graeme Smith is a finance professional with over 20 years experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held CFO and Company Secretary positions with other Australian mining and mining service companies. Mr Smith is a director of Buxton Resources Limited. Mr Smith has not held any former directorships in the last 3 years.

COMPANY SECRETARY

Graeme Smith

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Genesis Minerals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Haynes	660,000	1,000,000
Michael Fowler	2,000,000	5,000,000
Graeme Smith	60,000	500,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

Directors' Report continued

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2009 of \$1,434,649 (2008: \$2,002,970). At 30 June 2009 cash assets available totalled \$286,034 (2008: \$1,147,395).

Operating Results for the Year

Summarised operating results are as follows:

	2009	
	Revenues	Results
	\$	\$
<i>Geographic segments</i>		
Australia	32,497	(1,363,072)
Chile	-	(780,636)
Consolidation eliminations	-	709,059
Consolidated entity revenues and loss from ordinary activities before income tax expense	32,497	(1,434,649)

Shareholder Returns

	2009	2008
Basic loss per share (cents)	(5.6)	(9.2)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company raised \$690,000 through the issue of 3.45 million ordinary shares to institutional and sophisticated investors during September 2008. Funds raised are being used to actively pursue the Company's exploration projects.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 22, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations. However if additional capital is not obtained by January 2010 the Company is unlikely to participate further in the Merceditas Project, as a USD1.5million option payment is due on that date.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Directors' Report continued

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Genesis Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Genesis Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. The Company plans to facilitate this process by directors and executives participating in future option issues to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to note 16 of the financial statements.

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Genesis Minerals Limited and the Genesis Minerals Group are set out in the following table.

The key management personnel of Genesis Minerals Limited include the directors and company secretary as per page 3 above.

Given the size and nature of operations of Genesis Minerals Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel and other executives of Genesis Minerals Limited

	Short-Term		Post Employment		Share-based	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Payments	
	\$	\$	\$	\$	\$	\$
Directors						
Michael Haynes						
2009	54,500	2,054	-	-	-	56,554
2008	49,958	1,798	-	-	-	51,756
Michael Fowler						
2009	160,000	2,054	16,000	-	-	178,054
2008	146,667	1,798	14,667	-	-	163,132
Graeme Smith						
2009	30,000	2,054	1,350	-	-	33,404
2008	27,500	1,798	2,475	-	-	31,773
Total key management personnel compensation						
2009	244,500	6,162	17,350	-	-	268,012
2008	224,125	5,394	17,142	-	-	246,661

C Service agreements

On 25 June 2007 the Company entered into an Executive Service Agreement with Mr Michael Fowler.

Under the Agreement, Mr Michael Fowler is engaged by the Company to provide services to the Company in the capacity of Managing Director and CEO.

Mr Fowler is to be paid a salary of \$176,000, (inclusive of superannuation entitlement).

The Agreement is effective from the date the Company was admitted to the Official List (30 July 2007) and continues until terminated by either Mr Fowler or the Company. Mr Fowler is entitled to a minimum notice period of three months from the Company and the Company is entitled to a minimum notice period of three months from Mr Fowler.

D Share-based compensation

There was no share-based compensation issued to key management personnel during the year.

E Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' MEETINGS

During the year the Company held six meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A	B
Michael Haynes	6	6
Michael Fowler	6	6
Graeme Smith	6	6

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 9,750,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	9,750,000
Total number of options outstanding as at 30 June 2009 and the date of this report	9,750,000

Directors' Report continued

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
28 February 2013	20	500,000
15 May 2012	20	9,250,000
Total number of options outstanding at the date of this report		9,750,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Genesis Minerals Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$6,161 (2008: \$5,393).

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Bentleys, or associated entities.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

GOING CONCERN

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Refer to note 1(a) for further details.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the directors.



Michael Fowler
Managing Director

Perth, 30 September 2009

Corporate Governance Statement

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A (in part)	Matters reserved for the Board can be viewed on the Company website.
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors	A	Given the Company's background, the nature and size of its business and the current stage of its development, the board comprises three directors, two of whom are non-executive. The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chair should be an independent director	A	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The position of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	A	The full Board is the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate Nomination Committee would add any substance to this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of the Directors are set out in the Company's Annual Report and on the website.
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	A	The Company has established a Code of Conduct which can be viewed on its website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	A	The Company has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee	A	
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board 	A A A	
4.3	The audit committee should have a formal charter	N/A A	The Company only has two non-executive directors.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

ASX Principle	Status	Reference/comment
Principle 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	N/A	While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: <ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	N/A	While the Company does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	Assurances received from CEO and CFO (or equivalent) each year.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7	A	
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	A	
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8	A	Refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted

N/A = Not adopted

Genesis Minerals Limited

Income Statement

YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
REVENUE FROM CONTINUING OPERATIONS	4	32,497	130,862	32,497	130,862
EXPENDITURE					
Depreciation expense		(3,272)	(1,687)	(3,272)	(1,687)
Salaries and employee benefits expense		(122,952)	(140,802)	(122,952)	(140,802)
Exploration expenses		(937,594)	(1,555,288)	(348,929)	(589,842)
Impairment expense	5	(84,183)	(51,372)	(709,059)	(1,082,315)
Corporate expenses		(147,467)	(130,966)	(122,618)	(126,749)
Administration costs		(171,678)	(190,167)	(88,739)	(179,561)
Share based payments expense	25	-	(63,550)	-	(63,550)
LOSS BEFORE INCOME TAX		(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
INCOME TAX BENEFIT / (EXPENSE)	6	-	-	-	-
LOSS FOR THE YEAR		(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	24	(5.6)	(9.2)		

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

Genesis Minerals Limited

Balance Sheet

AT 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	286,034	1,147,395	282,005	1,057,595
Trade and other receivables	8	4,662	10,515	-	8,733
TOTAL CURRENT ASSETS		290,696	1,157,910	282,005	1,066,328
NON-CURRENT ASSETS					
Receivables	9	-	-	-	-
Other financial assets	10	-	-	-	-
Plant and equipment	11	4,393	7,665	4,393	7,665
TOTAL NON-CURRENT ASSETS		4,393	7,665	4,393	7,665
TOTAL ASSETS		295,089	1,165,575	286,398	1,073,993
CURRENT LIABILITIES					
Trade and other payables	12	68,023	175,320	62,953	135,041
TOTAL CURRENT LIABILITIES		68,023	175,320	62,953	135,041
TOTAL LIABILITIES		68,023	175,320	62,953	135,041
NET ASSETS		227,066	990,255	223,445	938,952
EQUITY					
Issued capital	13	3,602,414	2,954,849	3,602,414	2,954,849
Reserves	14(a)	88,074	64,179	63,550	63,550
Accumulated losses	14(b)	(3,463,422)	(2,028,773)	(3,442,519)	(2,079,447)
TOTAL EQUITY		227,066	990,255	223,445	938,952

The above Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2009	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR		990,255	215,699	938,952	215,699
Exchange differences on translation of foreign operations	14	23,895	629	-	-
NET INCOME RECOGNISED DIRECTLY IN EQUITY LOSS FOR THE YEAR	14	(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF GENESIS MINERALS LIMITED		(1,410,754)	(2,002,341)	(1,363,072)	(2,053,644)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	13	690,000	3,000,000	690,000	3,000,000
Share issue transaction costs	13	(42,435)	(286,653)	(42,435)	(286,653)
Employee and contractor share options	14	-	63,550	-	63,550
		647,565	2,776,897	647,565	2,776,897
TOTAL EQUITY AT THE END OF THE YEAR		227,066	990,255	223,445	938,952

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Cash Flow Statement

YEAR ENDED 30 JUNE 2009	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(430,643)	(433,488)	(320,341)	(417,392)
Expenditure on mining interests		(1,126,705)	(1,491,007)	(422,316)	(518,524)
Interest received		32,497	130,419	32,497	130,419
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	(1,524,851)	(1,794,076)	(710,160)	(805,497)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		-	(8,289)	-	(8,289)
Loans to related party		-	-	(712,995)	(478,379)
Payment for subsidiary	21	-	-	-	(600,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		-	(8,289)	(712,995)	(1,086,668)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		690,000	3,000,000	690,000	3,000,000
Payments of share issue costs		(42,435)	(271,234)	(42,435)	(271,234)
NET CASH INFLOW FROM FINANCING ACTIVITIES		647,565	2,728,766	647,565	2,728,766
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the financial year		1,147,395	220,994	1,057,595	220,994
Effects of exchange rate changes on cash and cash equivalents		15,925	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	286,034	1,147,395	282,005	1,057,595

The above Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Genesis Minerals Limited as an individual entity and the consolidated entity consisting of Genesis Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency. Genesis Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 30 September 2009. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

Compliance with IFRS

The financial report of Genesis Minerals Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of \$1,434,649 for the year ended 30 June 2009 (2008: \$2,002,970). Included within this loss was the write off of exploration expenditure of \$937,594 (2008: \$1,555,288).

The net working capital position of the Group at 30 June 2009 was \$222,673 (2008: \$982,590) and the net decrease in cash held during the year was \$877,286 (2008: increase of \$926,401).

The ability of the Company and the Group to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market. Refer to note 22 for details of a successful capital raising after the reporting date; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genesis Minerals Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Genesis Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Genesis Minerals Limited.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Genesis Minerals Limited's functional and presentation currency.

(ii) 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current 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 and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, 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 insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Change in accounting policy

The Group has adopted the policy of reclassifying financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 *Financial Instruments: Recognition and Measurement* in October 2008. Under the Group's previous policy reclassifications of financial assets were not permitted. The Group did not reclassify any financial assets in the current reporting period. Therefore, the change in accounting policy had no impact on the Group's financial statements.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 25.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)*

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that the other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective from 1 January 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(v) *AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)*

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vi) *AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)*

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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:

Environmental Issues

Balances disclosed in the 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 financial statements and the 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 that directors' best estimate, pending an assessment by the Australian Taxation Office.

Notes to the Financial Statements continued

30 JUNE 2009

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chilean Peso.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The Group's and the parent entity's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	CLP	CLP	CLP	CLP
Cash and cash equivalents	1,685,576	44,236,455	-	-
Trade and other receivables	1,950,367	26,184,251	-	-
Trade and other payables	(2,121,372)	(19,842,189)	-	-

Sensitivity analysis

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the Chilean Peso with all other variables held constant, there would have been nil impact on the Group's and the parent entity's post-tax losses for the year (2008: Nil) and immaterial movements to the Group's and parent entity's equity for both years presented.

(ii) Price risk

Given the current level of operations, neither the Group, nor the parent entity, are exposed to price risk.

(iii) Interest rate risk

The Group and the parent entity are exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$286,034 (2008: \$1,147,395) and the parent entity \$282,005 (2008: \$1,057,595) are subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 4.3% (2008: 5.9%) and by the parent entity 4.2% (2008: 6.0%).

Sensitivity analysis

At 30 June 2009, if interest rates had changed by +/- 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been \$6,000 lower/higher (2008: \$17,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Neither the Group, nor the parent entity, have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

Notes to the Financial Statements continued

30 JUNE 2009

2. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Notes to the Financial Statements continued

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3. SEGMENT INFORMATION

Description of segments

The Group's operations are in the mining industry. Geographically, the Group operates in two predominant segments, being Australia and Chile. The head office and investment activities of the Group take place in Australia.

Primary reporting format – geographical segments

	Australia		Chile		Consolidated	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Segment revenue						
Other revenue	32,497	130,862	-	-	32,497	130,862
Total segment revenue	32,497	130,862	-	-	32,497	130,862
Intersegment elimination					-	-
Consolidated revenue					32,497	130,862
Segment result						
Segment result	(1,363,072)	(2,053,644)	(780,636)	(1,031,641)	(2,143,708)	(3,085,285)
Intersegment elimination					709,059	1,082,315
Loss before income tax					(1,434,649)	(2,002,970)
Income tax (expense)/benefit					-	-
Loss for the year					(1,434,649)	(2,002,970)
Segment assets and liabilities						
Segment assets	286,398	1,073,993	8,691	239,279	295,089	1,313,272
Intersegment elimination					-	(147,697)
Total assets					295,089	1,165,575
Segment liabilities	62,953	(135,041)	1,196,444	(522,594)	1,259,397	(657,635)
Intersegment elimination					(1,191,374)	482,315
Total liabilities					68,023	(175,320)
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	8,289	-	-	-	8,289
Depreciation expense	3,272	1,687	-	-	3,272	1,687
Impairment expense	709,059	1,082,315	84,183	51,372	793,242	1,133,687
Intersegment elimination					(709,059)	(1,082,315)
Total impairment expense					84,183	51,372

Consolidated		Parent Entity	
2009	2008	2009	2008
\$	\$	\$	\$

4. REVENUE

From continuing operations

Other revenue

Interest

32,497	130,862	32,497	130,862
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Notes to the Financial Statements continued

30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
5. EXPENSES				
Profit / (loss) before income tax includes the following specific expenses:				
Impairment expense - loans to related party	-	-	709,059	482,315
Impairment expense - investment in controlled entities	-	-	-	600,000
Impairment expense - trade and other receivables	84,183	51,372	-	-
6. INCOME TAX				
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
Prima facie tax benefit at the Australian tax rate of 30%	(430,395)	(600,891)	(408,922)	(616,093)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	-	19,065	-	19,065
Sundry items	174	14	174	14
	(430,221)	(581,812)	(408,748)	(597,014)
Movements in unrecognised temporary differences	13,063	7,212	194,473	316,495
Tax effect of current year tax losses for which no deferred tax asset has been recognised	417,158	574,600	211,275	280,519
Income tax expense	-	-	-	-
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
<i>On Income Tax Account</i>				
Capital raising costs	61,782	68,797	61,782	68,797
Provisions for impairment	43,720	15,412	537,412	324,695
Other	13,500	9,000	13,500	9,000
Carry forward tax losses	999,498	582,341	499,535	288,260
	1,118,500	675,550	1,112,229	690,752
Deferred Tax Liabilities (at 30%)				
	-	-	-	-
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	286,034	647,395	282,005	557,595
Short-term deposits	-	500,000	-	500,000
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	286,034	1,147,395	282,005	1,057,595

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

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements continued

30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES				
Government taxes receivable	145,734	54,340	-	2,968
Provision for impairment (note (a))	(145,734)	(51,372)	-	-
Sundry receivables	4,662	7,547	-	5,765
	4,662	10,515	-	8,733

(a) Impaired receivables

As at 30 June 2009 the GTS receivable from the Group's operations in Chile (tax similar to Australia's GST), with a nominal value of \$145,734 (2008: \$51,372), has been provided for in full. The GTS may only be recoverable once the Group's operations are producing revenue in Chile. There were no impaired receivables for the parent in 2009 or 2008.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2009	2008
	\$	\$
Balance at the beginning of the year	51,372	-
Exchange differences	10,179	-
Provision for impairment recognised during the year	84,183	51,372
	145,734	51,372

9. NON-CURRENT ASSETS - RECEIVABLES

Loans to subsidiary	-	-	1,191,374	482,315
Provision for impairment (note (a))	-	-	(1,191,374)	(482,315)
	-	-	-	-

(a) Impaired receivables

As at 30 June 2009 the parent entity's loans to subsidiary with a nominal value of \$1,191,374 (2008: \$482,315), had been provided for in full. Refer to note 20 for further information on the loans to subsidiary.

Movements in the provision for impairment of receivables for the parent entity are as follows:

	Parent Entity	
	2009	2008
	\$	\$
Balance at the beginning of the year	482,315	-
Provision for impairment recognised during the year	709,059	482,315
	1,191,374	482,315

Notes to the Financial Statements continued

30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
10. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Shares in subsidiary – at cost	21	-	-	600,000	600,000
Provision for impairment (note (a))		-	-	(600,000)	(600,000)
		-	-	-	-

(a) Impaired investment

As at 30 June 2009 the investment in subsidiary carried at cost by the parent entity, with a nominal value of \$600,000 (2008: \$600,000), has been provided for in full. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment.

Movements in the provision for impairment of investment are as follows:

	Parent Entity	
	2009	2008
	\$	\$
Balance at the beginning of the year	600,000	-
Provision for impairment recognised during the year	-	600,000
	600,000	600,000

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Plant and equipment				
Cost	9,389	9,389	9,389	9,389
Accumulated depreciation	(4,996)	(1,724)	(4,996)	(1,724)
Net book amount	4,393	7,665	4,393	7,665
Plant and equipment				
Opening net book amount	7,665	1,063	7,665	1,063
Additions	-	8,289	-	8,289
Depreciation charge	(3,272)	(1,687)	(3,272)	(1,687)
Closing net book amount	4,393	7,665	4,393	7,665

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	31,377	152,566	26,341	112,796
Other payables and accruals	36,646	22,754	36,612	22,245
	68,023	175,320	62,953	135,041

13. ISSUED CAPITAL

(a) Share capital

	Notes	2009		2008	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	13(b), 13(d)	26,450,010	3,602,414	23,000,010	2,954,849
Total issued capital		26,450,010	3,602,414	23,000,010	2,954,849

Notes to the Financial Statements continued

30 JUNE 2009

13. ISSUED CAPITAL (cont'd)

(b) Movements in ordinary share capital

	2009		2008	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	23,000,010	2,954,849	8,000,010	241,502
Issued during the year:				
– Issued for cash at IPO at 20 cents per share	-	-	15,000,000	3,000,000
– Issued for cash at 20 cents per share	3,450,000	690,000	-	-
Less: Transaction costs	-	(42,435)	-	(286,653)
End of the financial year	26,450,010	3,602,414	23,000,010	2,954,849

(c) Movements in options on issue

	Number of options	
	2009	2008
Beginning of the financial year	9,750,000	9,250,000
Issued during the year:		
– Exercisable at 20 cents, on or before 28 Feb 2013	-	500,000
End of the financial year	9,750,000	9,750,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 is as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents	286,034	1,147,395	282,005	1,057,595
Trade and other receivables	4,662	10,515	-	8,733
Trade and other payables	(68,023)	(175,320)	(62,953)	(135,041)
Working capital position	222,673	982,590	219,052	931,287

Notes to the Financial Statements continued

30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
14. RESERVES AND ACCUMULATED LOSSES				
(a) Reserves				
Foreign currency translation reserve	24,524	629	-	-
Share-based payments reserve	63,550	63,550	63,550	63,550
	88,074	64,179	63,550	63,550
Movements:				
<i>Foreign currency translation reserve</i>				
Balance at beginning of year	629	-	-	-
Currency translation differences arising during the year	23,895	629	-	-
Balance at end of year	24,524	629	-	-
<i>Share-based payments reserve</i>				
Balance at beginning of year	63,550	-	63,550	-
Options issued to employees and contractors	-	63,550	-	63,550
Balance at end of year	63,550	63,550	63,550	63,550
(b) Accumulated losses				
Balance at beginning of year	(2,028,773)	(25,803)	(2,079,447)	(25,803)
Net loss for the year	(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
Balance at end of year	(3,463,422)	(2,028,773)	(3,442,519)	(2,079,447)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term benefits	250,662	229,519	250,662	229,519
Post employment benefits	17,350	17,142	17,350	17,142
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	268,012	246,661	268,012	246,661

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 5 and 6.

Notes to the Financial Statements continued

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16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 6.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Genesis Minerals Limited</i>							
Michael Haynes	1,000,000	-	-	-	1,000,000	1,000,000	-
Michael Fowler	5,000,000	-	-	-	5,000,000	5,000,000	-
Graeme Smith	500,000	-	-	-	500,000	500,000	-
2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Genesis Minerals Limited</i>							
Michael Haynes	-	-	-	1,000,000	1,000,000	1,000,000	-
Michael Fowler	5,000,000	-	-	-	5,000,000	5,000,000	-
Graeme Smith	500,000	-	-	-	500,000	500,000	-

All vested options are exercisable at the end of the year.

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<i>Directors of Genesis Minerals Limited</i>				
Ordinary shares				
Michael Haynes	660,000	-	-	660,000
Michael Fowler	2,000,000	-	-	2,000,000
Graeme Smith	60,000	-	-	60,000
2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<i>Directors of Genesis Minerals Limited</i>				
Ordinary shares				
Michael Haynes	-	-	660,000	660,000
Michael Fowler	2,000,000	-	-	2,000,000
Graeme Smith	50,000	-	10,000	60,000

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

Notes to the Financial Statements continued

30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
17. REMUNERATION OF AUDITORS				
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
Audit services				
Bentleys - audit of financial reports	26,000	21,000	26,000	21,000
Non-Bentleys audit firm for the audit or review of financial reports of any entity in the Group	3,607	4,217	-	-
Total remuneration for audit services	29,607	25,217	26,000	21,000

18. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

19. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	26,000	376,000	26,000	376,000
later than one year but not later than five years	78,000	489,000	78,000	489,000
	104,000	865,000	104,000	865,000

(b) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 6 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	44,000	44,000	44,000	44,000
later than one year but not later than five years	-	-	-	-
	44,000	44,000	44,000	44,000

20. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Genesis Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 21.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Notes to the Financial Statements continued

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	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
20. RELATED PARTY TRANSACTIONS (cont'd)				
(d) Loans to related parties				
<i>Loans to subsidiary</i>				
Beginning of the year	-	-	-	-
Loans advanced	-	-	709,059	482,315
Loan repayments received	-	-	-	-
Provision for impairment	-	-	(709,059)	(482,315)
End of year	-	-	-	-

Genesis Minerals Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Genesis Minerals (Chile) S.A.. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

21. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2009	2008
			%	%
Genesis Minerals (Chile) S.A.	Chile	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During August 2009 the Company raised \$357,000 (before costs) from the issue of 3,967,500 ordinary shares to institutional and sophisticated investors.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Notes to the Financial Statements continued

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	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
23. CASH FLOW STATEMENT				
Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	(1,434,649)	(2,002,970)	(1,363,072)	(2,053,644)
Non-Cash Items				
Depreciation of non-current assets	3,272	1,687	3,272	1,687
Share based payments expense	-	63,550	-	63,550
Net exchange differences	14,797	629	-	-
Impairment expense	-	-	709,059	1,082,315
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
Decrease/(increase) in trade and other receivables	6,169	(8,347)	8,733	(6,565)
(Decrease)/increase in trade and other payables	(114,440)	151,375	(68,152)	107,160
Net cash outflow from operating activities	(1,524,851)	(1,794,076)	(710,160)	(805,497)

24. LOSS PER SHARE

	Consolidated	
	2009	2008
	\$	\$
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	(1,434,649)	(2,002,970)
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	25,703,298	21,770,502

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2009, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes to the Financial Statements continued

30 JUNE 2009

25. SHARE-BASED PAYMENTS

Employees and contractors options

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted is 20 cents with an expiry date of 28 February 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated and Parent Entity			
	2009		2008	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	500,000	20.0	-	-
Granted	-	-	500,000	20.0
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	500,000	20.0	500,000	20.0
Exercisable at year-end	500,000	20.0	500,000	20.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.58 years (2008: 3.58), with an exercise price of 20 cents.

Expenses arising from share-based payment transactions

There were no options granted during the current year. The weighted average fair value of the options granted during the prior year was 12.7 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2009	2008
Weighted average exercise price (cents)	-	20.0
Weighted average life of the option (years)	-	4.05
Weighted average underlying share price (cents)	-	24.0
Expected share price volatility	-	50%
Risk free interest rate	-	7%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Options issued to employees and contractors	-	63,550	-	63,550

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 36 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
- (b) subject to the matter at note 1(a), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Michael Fowler
Managing Director

Perth, 30 September 2009

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2009.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	1	10
1,001	- 5,000	19	68,236
5,001	- 10,000	80	784,957
10,001	- 100,000	220	8,673,029
100,001	and over	59	20,891,278
		379	30,417,510
The number of shareholders holding less than a marketable parcel of shares are:		20	68,246

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Merrill Lynch (Australia) Nominees Pty Ltd	1,764,500	5.80
2	Mr Michael John Fowler & Mrs Fiona Lee Dixon Fowler <MF & FLD Fowler Family A/C>	1,750,000	5.75
3	Mr Henry Wiechecki	1,000,000	3.29
4	Dgali Investments Pty Ltd	883,850	2.91
5	Argonaut Investment <Argonaut Investment No 2 A/C>	750,000	2.47
6	Geotech International Pty Ltd	750,000	2.47
7	Mr Geoffrey Norman Barnesby-Johnson & Catherine Jane Halvorsen	692,500	2.28
8	Mr Darren Peter Gordon <The Gordon Family A/C>	600,000	1.97
9	Mr Bradley George Bolin	580,780	1.91
10	Gecko Resources Pty Ltd	565,000	1.86
11	Mr Michael Filan Ashforth	540,000	1.78
12	Bullseye Geoservices Pty Ltd <Haynes Family A/C>	500,000	1.64
13	Dgali Investments Pty Ltd	500,000	1.64
14	Ms Natalie Michelle Garbutt-Wilkins	500,000	1.64
15	Stateline Investments Pty Ltd <Colgan Family A/C>	450,000	1.48
16	Matrix Nominees Pty Ltd <D W Franks Family A/C>	400,000	1.32
17	Mr David Harper	385,000	1.27
18	Argonaut Equity Partners Pty Limited	375,000	1.23
19	Blackview Pty Ltd	355,000	1.17
20	M Ivey Pty Ltd	330,000	1.08
		13,671,630	44.95

ASX Additional Information continued

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Merrill Lynch (Australia) Nominees Pty Ltd	1,764,500
Mr Michael John Fowler & Mrs Fiona Lee Dixon Fowler <MF & FLD Fowler Family A/C>	1,750,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Mundong Well, Western Australia	E08/1690	100%
Merceditas Project, Chile	La Manga One	100%
Merceditas Project, Chile	La Manga Two	100%
Merceditas Project, Chile	La Manga Three	100%
Merceditas Project, Chile	La Manga Four	100%
Merceditas Project, Chile	La Manga Five	100%
Merceditas Project, Chile	La Manga Six	100%
Merceditas Project, Chile	Chivato Eleven	100%
Merceditas Project, Chile	San Manuel	100%
Merceditas Project, Chile	Renacer	100%
Merceditas Project, Chile	Escondida	100%