



GEODYNAMICS LIMITED
Level 1 - 9 Gardner Close - PO Box 2046 Milton 4064
Tel: + 61 7 3721 7500 Fax: + 61 7 3721 7599 Email: info@geodynamics.com.au
ABN: 55 095 006 090

ASX Announcement

16 November 2015

2015 Annual General Meeting – Chairman’s Address

Address to shareholders by Mr Keith Spence, at Geodynamics Limited’s Annual General Meeting in Brisbane on 16 November 2015.

Good afternoon Ladies and Gentlemen and welcome, to the 2015 Geodynamics Annual General Meeting. It is a pleasure to address you today.

2015 has been a transformative year for Geodynamics, as we focussed on the implementation of our strategic change program, a strategy which was outlined to you at the 2014 Annual General Meeting.

We commenced 2015 with a disciplined and rigorous assessment of a wide range of investment opportunities, culminating in the acquisition of Quantum Power just after the end of this reporting period.

Before I discuss the significance of this acquisition I would like to take you through some of the process and reasoning that lead us there. In assessing the opportunities and areas of diversification, we focused on three strategic areas that we believe will be attractive, growing sectors as the global trend towards more efficient and sustainable economies continues.

These sectors are; Clean Energy Supply, Clean Energy Services (including energy efficiency, storage, and energy management services), and finally Clean Technology or Cleantech Industrial Services (these could include water recovery, waste reduction and recycling or other emissions reduction and sustainability services).

In evaluating the individual investment and acquisition opportunities over the past 12 months, three key principles guided our ultimate investment decisions:

Firstly, shareholder interest - you our shareholders, have consistently communicated your aspirations for Geodynamics to grow into a leading renewable energy company and to contribute to a sustainable future for Australia. This desire has meant that our search has remained within the renewable and cleantech space, rather than seeking to grow into areas such as unconventional gas as some of our peers have done.

Secondly, technology readiness and risk - how soon can the technology or process we are reviewing be deployed and what are the risks that it may not succeed in the market. We have consciously taken a decision not to enter into early stage technology plays, due to the high risk and uncertain capital requirements in this type of area.

Third and finally, the financial investment needed - how much capital would be required to fund the technology or project and how reliant would it be on debt financing and further capital raising. Our desire throughout this process has been to find projects that we can enter into and progress within the bounds of our current balance sheet, without the need for immediate capital raising. We are determined to make the transition from a development company reliant on equity raisings to a company with robust recurring operational revenues. The overarching focus has been on securing value from our financial resources to deliver strong returns to shareholders.

Throughout our review and assessment of opportunities, a prevailing theme that emerged is the strong opportunities existing for the supply of distributed energy to fringe of grid and off grid operations as well as high energy users at points of network constraint. These characteristics of energy use and areas of demand are part of a trend that is driving a move to a decentralised network, where energy is generated close to the consumer taking advantage of new technologies such as solar PV and battery storage. This trend is in somewhat of a stark contrast to earlier projections for Australia's energy system that typically focussed on the continued use of large centralised grid systems fed from large base-load power stations, possibly including development of our Cooper Basin geothermal resources.

It is these significant changes and shifts in Australia's energy mix, that drove us, following the successful completion of the 1MWe Pilot Plant Trial, to make the decision not to undertake further exploration and development activities in the Cooper Basin. It is unfortunate that the outstanding operational results and significant research breakthroughs that have come from our activities in the Cooper have not led to a commercial development. However, all indications are that large scale geothermal power will not be part of Australia's energy mix in the short, medium or long term with other technologies such as solar PV, developments in customer models in energy efficiency and community owned projects, and a move away from major extension to the grid network all indicating that alternate paths to the development of large scale remote resources would be more cost effective for Australia.

In line with our ARENA funding agreement and our Exclusivity Agreement with Beach Energy we this year, in collaboration with CSIRO, completed a research and development program examining

the feasibility of integrating geothermal process heat into natural gas processing facilities. The results of this work have confirmed earlier work undertaken as part of the Habanero Field Development Plan which demonstrated that utilising geothermal energy for process heat in a natural gas processing facility located in the vicinity of Innamincka would be value adding. The integration of geothermal would also substantially reduce CO₂ emissions and increase gas available for sale from such a facility.

With low oil prices and the decision by Beach's former joint venture partner Chevron not to participate in Stage 2 of the Nappamerri Trough Natural Gas (NTNG) Project, we have recently received notification from Beach Energy that they have elected not to participate in the proposed Farm-in agreement; this was not unexpected. We have commenced the procedure with ARENA to terminate our funding deed and will progress plug and abandonment and remediation activities to quit our environmental obligations professionally in the Cooper Basin tenements. Completion of these activities will decrease our balance sheet liabilities further creating a clean base for driving the next phase of our Company's history.

Our Pacific Island projects have also encountered roadblocks, as the commercial conditions necessary to progress further with our geothermal projects remain weak. Slowing economic growth, weak power demand growth, and strained government finances have prevented progress in securing the required PPA's to progress the Savo Island Project in the Solomon Islands and the Takara Project in Vanuatu beyond their current stage. The reduction in world oil prices has also contributed, reducing the immediate need to address the transition away from diesel, with competition from other renewable energy sources (solar PV and hydro) also playing a role.

We continue to believe that our Pacific geothermal projects represent excellent geothermal resources and present very significant economic and social benefits to the national stakeholders. There remains a committed push from these nations towards greater reliance on indigenous renewable energy, supported by programs from the EU, UN and Alliance of Small Island States. At this stage we have no plans for further significant expenditure on the Pacific projects but will work with the national governments to explore potential Public Private Partnerships. We do not expect these to become a major commercial focus for Geodynamics.

As we seek new opportunities for Geodynamics a key theme we have followed is the desire to invest in distributed energy generation to take advantage of the major trend towards power systems comprised of a cellular grid of self-supporting local generation connected by smart local networks, rather than large inflexible centralised generation connected to a monopoly network.

The first step in this program is the acquisition of Quantum Power Limited, a renewable power company supplying biogas systems under Build Own Operate Maintain (BOOM) and Engineering Procurement and Construction (EPC) contracts to the intensive agriculture sector.

The acquisition of Quantum Power marks a significant milestone in the transformation of Geodynamics from a geothermal specialist to a broader diversified clean technology and sustainable services company. Quantum is a market leader in the Australian biogas industry and has delivered more biogas projects in the food processing and intensive livestock industries than any other company in Australia. Biogas projects provide value through improved management of effluent and other waste by-products, conversion of waste by-products into higher value goods, increased energy self-sufficiency and reduced energy costs through on-site production of heat and power.

Quantum Power projects inherently possess the characteristics that are becoming increasingly popular in the transition to a decentralised distributed energy system. They are behind the meter, can provide dispatchable power with an “in-built” storage capability and provide a wide range of benefits to the end customer.

The acquisition of Quantum provides Geodynamics with a strong entry point to this attractive market. Quantum has developed a solid pipeline of project opportunities which, with the strength of the combined entities balance sheet, engineering and project management skills, can be steadily progressed and harnessed.

We are excited by the new opportunities the acquisition of Quantum offers us. With the financing, engineering and project delivery capability within Geodynamics we believe we can drive substantial growth in the Quantum business, including through targeting larger multi-user projects in the municipal and mixed waste sectors.

Looking to 2016 we have set ourselves a series of key targets to drive growth in the biogas business. Our primary objective is to deliver Quantum’s existing project pipeline over the coming 6 months and build a strong forward order book. In 2016 we will commence construction on two biogas projects one at an abattoir in Goulburn, NSW the other at a major piggery in Western Australia. These projects will be owned and operated by us. Both will generate an income stream for the group through the Power Purchase Agreements in place. While construction on these is under way our business development team will concentrate on securing further PPAs.

We will also continue with our search for additional complimentary clean technology investments in 2016, as we work towards transforming Geodynamics and broadening its investment base. Drawing on our strong background in project delivery, excellence in engineering and commercial risk management we are well placed to secure further valuable opportunities.

Our efforts over the past 24 months to manage the Company’s balance sheet and reduce overheads has meant that post acquisition at 30 September we have a healthy balance sheet with \$25.84 million cash in the bank. This places us in a strong financial position to progress the Quantum project pipeline and make further investments.

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Before I close I would like to discuss the changes that were made to our Board. In line with the Company's change in direction and as indicated to you at last year's AGM, the Board this year undertook a review of its composition and remuneration. Following the review and in giving due consideration to the breadth, diversity and experience required as we move forward, Mr Andrew Stock, Mr Michel Marier and Mr Bob Davies offered to step down as Directors of Geodynamics, taking effect at the close of our August Board Meeting. A review of board remuneration was also conducted with Board fees being reduced by approximately forty percent with the total remuneration pool now at \$215,000 per annum, more commensurate to a company of Geodynamics current size and industry.

On behalf of the board I would like to express our gratitude and appreciation to Bob, Andrew and Michel, for their support and counsel over the years. It has been a pleasure to serve as your Chairman over the past 5 years, particularly in recent times as we worked to transition to a new strategic direction.

We thank you, our investors, for your ongoing support, as well as our staff members, who continue to work tirelessly in what has been a challenging 12 months to achieve our goals of transforming the Company. As always, we appreciate your feedback on our activities and welcome your comments as we embark on this new chapter for Geodynamics. With that, I'd like to now hand over to your Managing Director and CEO, Geoff Ward.

End of Address

For further information, please check our website (www.geodynamics.com.au) or contact Mr Geoff Ward on + 61 7 3721 7500. Media and investor inquiries may also be directed to Ms Friederike Graser, on +61 7 3721 7588.

A handwritten signature in black ink, appearing to read "Geoff Ward", written in a cursive style.

Geoff Ward
Managing Director and Chief Executive Officer

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