



Half Year Report ended 31 December 2015

ABN 55 095 006 090

Release Statement

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CORPORATE DIRECTORY

Directors

Keith Spence

Non-Executive Chairman

Christopher Murray

Managing Director and Chief Executive Officer

Jack Hamilton

Non-Executive Director

George Miltenyi

Non-Executive Director

Richard Brimblecombe

Non-Executive Director

Secretary

Tim Pritchard CPA

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Auditor

Ernst & Young

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111 Eagle Street

BRISBANE QLD 4000

Solicitors

Thomsons Lawyers

Level 16, Waterfront Place

1 Eagle Street

BRISBANE QLD 4000

Securities exchange listings

Geodynamics Limited shares are listed on the Australian Securities Exchange. The home branch is Sydney, Ticker: GDY.

APPENDIX 4D

HALF YEAR REPORT

Name of entity

GEODYNAMICS LIMITED

ABN

55 095 006 090

Half year ended

31 December 2015

Previous corresponding period: 31 December 2014

Results for announcement to the market

Results			
Revenues from ordinary activities	Down	0.2% to	555,914
Loss from ordinary activities after tax attributable to members	Up	71% to	824,013
Net loss for the period attributable to members	Up	71% to	824,013

Dividends

The Directors do not propose to recommend the payment of a dividend in respect of the period.

Net Tangible Asset Backing	As at 31 December 2015	As at 30 June 2015
Net tangible asset backing per ordinary security (cents per share)	3.7	5.6

Brief explanation of any of the figures reported above:

The revenue for this half year comprised \$382,839 interest income and \$174,076 income from Quantum Power projects.

The loss from ordinary activities represents exploration and evaluation costs incurred, expenditure on bio energy projects and normal administrative overhead offset by interest income and recovery of remediation costs from Origin Energy.

With a net tangible asset backing of 3.7 cents per share the company has cash reserves of \$24 million.

Details of entities over which control has been gained or lost during the period:

During the period Geodynamics Limited acquired 100% of the equity of Quantum Power Limited.

The transaction was completed on 1 September 2015.

For further details please see the financial report accompanying this appendix.

This information should be read in conjunction with the most recent annual report and the Directors' report and the half year financial statements for the period.

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2015.

DIRECTORS

The names of the Directors of Geodynamics Limited in office during the half-year and until the date of this report are as follows.

Keith Spence (Non-executive Chairman)

Geoff Ward (Managing Director & CEO) Resigned 31 January 2016

Andrew Stock (Non-executive Director) Resigned 31 August 2015

Robert Davies (Non-executive Director) Resigned 31 August 2015

Jack Hamilton (Non-executive Director)

Michel Marier (Non-executive Director) Resigned 31 August 2015

George Miltenyi (Non-executive Director)

Richard Brimblecombe (Non-executive Director) Appointed 1 September 2015

Christopher Murray (Managing Director & CEO) Appointed 11 January 2016

Directors were in office for this entire period unless otherwise stated.

COMPANY SECRETARY

Tim Pritchard

CORPORATE STRUCTURE

Geodynamics Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on September 2002 under code GDY. Its registered office and principal place of business is Level 1, 9 Gardner Close, Milton QLD 4064.

DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES

The principal activity of Geodynamics Limited during the half year was the completion of the acquisition of Quantum Power. Following the completion of this transaction activity has been focussed on the completion of current Quantum projects and the successful bidding for new project opportunities such as the Goulburn and Mindarra projects.

Our focus on reducing operating costs and expenses over the past 18 months has resulted in the Company having a strong cash position. This strong cash position together with our internal capabilities are key assets and advantages to successfully growing the Company.

While progressing the Quantum Power business, Geodynamics continues to search for other profitable growth investments in the clean energy sectors to add to our portfolio.

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS

The Company realised a loss before tax for the financial period as set out below:

	6 months ended 31 December 2015 \$000	6 months ended 31 December 2014 \$000
Loss before income tax expense	(824)	(482)
Net loss attributable to members of Geodynamics Limited	(824)	(482)
Earnings per Share	(cents)	(cents)
Basic and diluted loss per share	(0.17)	(0.11)

The key achievements and highlights for the 6 months to 31 December 2015 were as follows:

- Completion of the acquisition of Quantum Power Limited.
- Secured a long term Power Purchase Agreement (PPA) to supply a WA based pork producer with biogas generated electricity. Under this PPA, Quantum Power will build, own, operate and maintain a biogas production and electricity generation facility located on the customer's premises.
- Completed final remediation activities at our Hunter Valley, NSW tenements. The company has previously advised that it will be surrendering these tenements.
- Progressed the design and approval activities for the planned plug and abandon campaign for the remaining deep geothermal wells in the Cooper Basin tenements. With the completion of our operational program in the Cooper Basin at the end of 2013 it is now planned to carry out final plug and abandon works, remediation and rehabilitation works for all remaining Cooper Basin facilities through FY2016.
- Successfully bid at the November round of the Emission Reduction Fund Auction, for both the Mindarra Bioenergy Project and the Goulburn Bioenergy Project.
- Acquisition of Goulburn Bioenergy Project, a 1.6MWe peaking project at the Southern Meats Abattoir.
- Appointment of new Managing Director, Mr Chris Murray.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

DIRECTORS' REPORT (Continued)

AUDITOR INDEPENDENCE DECLARATION

The Directors have obtained an independence declaration from our auditors, Ernst & Young, which can be found on page 17 of the Half Year Report.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed in accordance with a resolution of the Directors



K. Spence

Chairman

Brisbane, 25 February 2016



Half Year Financial Report ended 31 December 2015

ABN 55 095 006 090

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Release Statement

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Continuing Operations			
Interest Income		382	535
Site Income		108	-
Equipment Sales		66	
Total Revenue		556	535
Other Income	3C	166	1,471
Personnel expenses	3A	(1,303)	(1,461)
Exploration and Evaluation Costs	3B	1,392	733
Other Operating Expenses		(338)	-
Other General & Administrative Expenses	3C	(1,231)	(1,782)
Corporate Expenses Recovered		-	22
Share of loss in Associate		(66)	-
Total Expenses		(1,380)	(1,017)
Income/(Loss) before Income Tax Expense		(824)	(482)
Income Tax Benefit		-	-
Income/(Loss) after Income Tax Expense		(824)	(482)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		-	2
Other Comprehensive Income for the period		-	-
Total Comprehensive Income for the period attributable to the Owners		(824)	(480)
Basic and Diluted Loss per share (cents per share)		(0.17)	(0.11)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015		31 December 2015	30 June 2015
	Note	\$'000	\$'000
Current Assets			
Cash Assets	4	24,472	28,000
Receivables	5	1,751	2,375
Inventories		1,297	950
Non-Current Assets Held for Sale	6	1,126	-
Total Current Assets		28,646	31,325
Non Current Assets			
Property, Plant and Equipment	6	1,827	1,364
Deferred Exploration, Evaluation & Development phase costs	7	-	-
Intangible Assets (including goodwill)		6,178	-
Other Non Current Assets		76	-
Total Non Current Assets		8,081	1,364
Total Assets		36,727	32,689
Current Liabilities			
Payables	8	1,239	616
Provisions		6,732	7,477
Total Current Liabilities		7,971	8,093
Non Current Liabilities			
Provisions		344	337
Deferred Tax Liability		1,426	-
Total Non Current Liabilities		1,770	337
Total Liabilities		9,741	8,430
Net Assets		26,986	24,259
Equity			
Contributed Equity	9	351,908	348,338
Other Reserves	10	11,216	11,235
Accumulated Losses		(336,138)	(335,314)
Total Equity		26,986	24,259

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note	6 months ended 31 December 2015 \$'000	6 months ended December 2014 \$'000
Cash Flows from/(used in) Operating Activities		
Customer Receipts	180	-
Net Goods and Services Tax received	252	494
Payments to suppliers and employees	(4,150)	(4,412)
Net Interest Received	346	874
Net cash flows from/(used in) Operating Activities	(3,552)	(3,044)
Cash Flows from/(used in) Investing Activities		
Proceeds from Government Grants	350	-
Proceeds from R&D Tax Incentive	2,012	3,400
Purchase of Property, Plant & Equipment	(404)	(83)
Payments for Exploration and Evaluation expenditure	(1,822)	(3,964)
Proceeds from joint venture recoveries	860	1,471
Proceeds from sale of property, plant & equipment	152	1,500
Cash from Quantum Power acquisition	403	-
Payments for Quantum acquisition (including working capital)	(1,527)	-
Net cash flow (used in) investing activities	24	2,324
Cash Flows from Financing Activities		
Net cash flow provided by financing activities	-	-
Net increase / (decrease) in cash held	(3,528)	(720)
Add: Opening cash carried forward	28,000	33,815
Closing cash carried forward	24,472	33,095

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2015	Issued Capital \$'000	Employee Equity Benefits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
At 1 July 2015	348,338	11,230	5	(335,314)	24,259
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(824)	(824)
Other comprehensive income	-	-	-	-	-
Total loss for the period	-	-	-	(824)	(824)
Equity Transactions:					
Shares issued in consideration of Quantum Power acquisition	3,570	-	-	-	3,570
Cost of share-based payment - recognition of share option expense	-	(19)	-	-	(19)
At 31 December 2015	351,908	11,211	5	(336,138)	26,986
FOR THE HALF YEAR ENDED 31 DECEMBER 2014					
At 1 July 2014	348,338	10,969	(22)	(320,869)	38,416
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(482)	(482)
Other comprehensive income	-	-	2	-	2
Total loss for the period	-	-	2	(482)	(480)
Equity Transactions:					
Share based payment on Employee Share Plan	-	67	-	-	67
Cost of share-based payment - recognition of share option expense	-	-	-	-	-
At 31 December 2014	348,338	11,036	(20)	(321,351)	38,003

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The financial report of Geodynamics Limited (the Company) for the half year ended 31 December 2015 was authorised in accordance with a resolution of the Directors on 25 February 2016.

Geodynamics Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is Level 1, 9 Gardner Close, Milton QLD 4064.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis and going concern basis and is presented in Australian dollars. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules. The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2015.

B. Joint Arrangements

The Company is a party to a joint operation the assets of which comprise the South Australian geothermal tenements and all property plant and equipment for use in the Cooper Basin. The joint operation is named the Innamincka 'Deeps' Joint Venture. Since 30 June 2013 Geodynamics has been the sole participant in the joint operation. Operations have now ceased in the Cooper Basin and plans are progressing for the rehabilitation of the site.

The Company is also a party to a joint arrangement with Kentor Energy Pty Ltd (Kentor). The joint operation assets comprise the Savo Island prospecting license and all property plant and equipment for use on Savo Island. The joint operation is named the Savo Island Geothermal Joint Venture.

Under the terms of the agreement, Geodynamics (Savo Island) Pty Ltd is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project. At 31 December 2015 Geodynamics had met all requirements for the initial 25% interest.

C. Going Concern

With the acquisition of Quantum Power completing in September 2015 the group has future revenue growth potential. Two major projects have been contracted since the acquisition was completed and the group has a strong business development pipeline of future potential projects.

A major focus of the Board and management is on ongoing cash flow management to ensure that the Company always has sufficient funds to cover its planned activities and any ongoing obligations. At 31 December 2015, the Directors are satisfied the Company has sufficient cash resources to cover its near term planned expenditure. As such the going concern basis of financial statement preparation has been adopted.

Geodynamics continues to actively monitor developments in clean energy markets and technologies to assess opportunities to acquire interests in projects or companies complimentary to its current projects where it is able to utilise its skills and capacity to develop further clean energy products and services that provide an acceptable return for shareholders.

D. Share Appreciation Rights

On 20 October 2014, the Company issued 4,862,222 share appreciation rights ("SARs") to Mr Geoff Ward (Managing Director and Chief Executive Officer). The issue of the SARs was in accordance with the Company's Share Appreciation Rights Plan (the "Plan") which was introduced and approved by shareholders at the Company's Annual General Meeting on Thursday 28 November 2013.

A SAR is a right to receive either or both, a cash payment or shares in the Company, as determined by the Board, subject to the Company satisfying certain conditions including performance conditions.

The SARs have been issued in two tranches. The first tranche totalled 2,580,274 SARs and the earliest vesting date is 1 September 2015. The second tranche totalled 2,281,948 SARs and the earliest vesting date is 1 September 2016.

The performance conditions are based on growth in the Company's share price.

All issued SARs lapsed upon the resignation of Geoff Ward on 31 January 2016.

E. Business Combinations and Goodwill

Business combinations are accounted for by applying the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition.

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired, the difference is treated as purchased goodwill. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of acquisition, the difference is immediately recognised in the Statement of Comprehensive Income as income.

Goodwill is not amortised, however its carrying amount is assessed annually against its recoverable amount. To the extent the carrying amount of goodwill exceeds the recoverable value of the assets, the goodwill is impaired and the impairment loss is charged to the profit or loss so as to reduce the carrying amount in the Statement of Financial Position to its recoverable amount.

On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the profit or loss on disposal or termination.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3A – PERSONNEL EXPENSES	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Share Based Payments Expense	(19)	67
Employee Expenses	1,322	1,394
	1,303	1,461

NOTE 3B – EXPLORATION AND EVALUATION COSTS	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Expenditure for the period	2,002	667
Change in Rehabilitation	(1,193)	-
Proceeds from Government Grants	(350)	-
R&D Tax Incentive ¹	(1,851)	(1,400)
	(1,392)	(733)

1. Consistent with the Company's established accounting policy, R&D tax incentive is treated as a government grant. The R&D tax incentive is received in respect of the Company's geothermal exploration in the Cooper Basin. At 31 December 2015, the Company recognised a receivable of \$373,000 in respect of its R&D expenditure incurred for the half year.

NOTE 3C – OTHER EXPENSES AND LOSSES/(GAINS)	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment and Amortisation of leasehold improvements	38	48
Operating lease rentals paid	88	639
Foreign exchange loss/(gain)	9	7
(Profit)/loss on disposal of property, plant & equipment	8	13
Recovery of prior period expenditure from previous joint venture party	(348)	(1,471)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4 – CASH ASSETS	31 December 2015 \$'000	30 June 2015 \$'000
Cash at Bank	1,638	466
Short-term Deposits	22,834	27,534
	24,472	28,000

NOTE 5 – RECEIVABLES (CURRENT)	31 December 2015 \$'000	30 June 2015 \$'000
GST Receivable	37	90
Interest Receivable	93	76
Other Receivables	1,621	2,209
	1,751	2,375

Accounts receivable, GST receivable, interest receivable and sundry receivables are non-interest bearing.

NOTE 6 – PROPERTY, PLANT & EQUIPMENT	31 December 2015 \$'000	30 June 2015 \$'000
Plant and Equipment at cost	24,488	23,587
Less: accumulated depreciation and impairment	(22,661)	(22,223)
Total Property, Plant and Equipment	1,827	1,364
<i>Reconciliation of Plant & Equipment</i>		
Carrying amount at beginning	1,364	4,127
Additions (including Quantum Power acquisition)	1,745	25
Disposals	(118)	(1,810)
Impairment	-	(2,550)
Reclassification to Assets Held for Sale ¹	(1,126)	
Depreciation/Amortisation Expense	(38)	(79)
Depreciation written back on disposal of assets	-	1,651
Carrying amount at the end	1,827	1,364

¹ The track mounted rig and ancillary equipment originally purchased for exploration drilling on the Pacific projects is now being marketed for sale as the projects are not currently being progressed. The assets have been transferred at cost and no gains or losses have been taken to the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 – DEFERRED EXPLORATION AND EVALUATION COSTS	31 December 2015 \$'000	30 June 2015 \$'000
Evaluation Phase	-	-
Total	-	-
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	-	7,390
Add: Evaluation assets acquired as part of KUTH transaction	-	-
Add: Evaluation & Development expenditure for period	-	654
Less: Impairment of Evaluation & Development expenditure	-	(8,044)
Carrying amount at the end	-	-

NOTE 8 – ACCOUNTS PAYABLE	31 December 2015 \$'000	30 June 2015 \$'000
Current		
Trade Creditors	616	252
Accrued Liabilities	623	364
Trade creditors and accruals	1,239	616

Terms and conditions

Accounts payable and accrued liabilities are non-interest bearing. Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. All amounts are normally settled within 30 days, and discounts for early payment are normally taken where it is considered advantageous for the Company to do so. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9 – CONTRIBUTED EQUITY		31 December 2015 \$'000	30 June 2015 \$'000	
Authorised Shares				
563,368,990 (2015 – 435,880,130) fully paid ordinary shares		351,908	348,338	
MOVEMENT IN ORDINARY SHARE CAPITAL:		NUMBER OF SHARES	ISSUE PRICE \$ PER SHARE	\$'000
30/06/14	Balance end of financial year	435,880,130		348,338
	NIL Movement			
30/06/15	Balance end of financial year	435,880,130		348,338
24/09/15	Ordinary Shares Issued for Quantum Acquisition	127,488,860	0.028	3,570
31/12/15	Balance	563,368,990		351,908

Terms and Conditions of contributed equity

Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available to the entity. As the entity is not in position to be debt funded until it advances its projects to a completed feasibility phase which has the support of financiers, it must rely totally on cash reserves and government grants for its funding requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10 – RESERVES	31 December 2015 \$'000	30 June 2015 \$'000
Deferred Employee Share Plan Reserve	3,591	3,591
Employee Share Option Reserve	7,507	7,507
Employee SARs Reserve	113	132
Foreign Currency Translation Reserve	5	5
	11,216	11,235
Reconciliation of Reserves		
Carrying amount at beginning	11,235	10,947
Recognition of Share Plan Expense – Transfer from Contributed Equity	-	-
Recognition of Share Plan Expense	-	129
Recognition of Share Option Expense	-	-
Recognition of SARs Expense	(19)	132
Recognition of Foreign Currency Translation Reserve	-	27
	11,216	11,235

Nature and purpose of reserves

Deferred employee share plan reserve

The employee share plan reserve is used to record the value of fully paid ordinary shares granted to employees, including key management personnel, as part of their remuneration.

Employee share option reserve

The employee share option reserve is used to record the value of share options granted to employees, including key management personnel, as part of their remuneration.

Employee SARs reserve

The employee SARS reserve is used to record the value of share appreciation rights granted to employees, including key management personnel, as part of their remuneration. Refer to Note 14 for further details.

Foreign currency translation reserve

This reserve records the differences arising as a result of translating the financial statements of subsidiaries recorded in foreign currencies to the presentational currency.

NOTE 11 - EARNINGS PER SHARE	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)	(0.17)	(0.11)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss attributable to equity shareholders (\$'000)	(824)	(480)
Weighted average number of ordinary shares used in calculation of basic earnings per share	478,143,560	435,880,130

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12 - SEGMENT INFORMATION

The Company operates in two segments, being geothermal energy exploration and evaluation and biogas energy.

Operating segments are identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors (chief operating decision maker) in order to allocate resources to the segment and assess its performance. The financial information presented in the Statements of Comprehensive Income and Financial Position is the same as that presented to the chief operating decision maker.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief operating decision maker are in accordance with the entity's accounting policies.

For the six months ended 31 December 2014 and for the year ended 30 June 2015 Geodynamics operated as a single segment. With the acquisition of Quantum Power Limited in September 2015 the company now has 2 operating segments identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors and key operating decision makers for the purpose of making decisions about resource allocation and performance assessment.

Segment Information

The following table represents revenue and profit information for the Group's operating segments for the six months ended 31 December 2015

Half Year Ended 31 December 2015	Geothermal \$'000	Biogas Energy \$'000	Adjustments and Eliminations \$'000	Consolidated \$'000
Revenue				
External	381	175	-	556
Inter-segment	29	-	(29)	-
Total Revenue	410	175	(29)	556
Results				
Segment Profit/(Loss)	895	(1,719)	-	(824)
Assets	27,419	11,789	(3,697)	35,511
Liabilities	7,515	4,705	(3,697)	8,523

NOTE 13 – PROVISIONAL BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF QUANTUM POWER LIMITED

On 1 September 2015, the Company announced its off-market offer to acquire shares in Quantum Power Limited ("Quantum") was free of defeating conditions. On declaring the offer unconditional, the Company assessed it had obtained control of Quantum Power and as such has accounted for the acquisition at that time. The Company acquired Quantum Power Limited to gain access to the biogas energy industry.

As the consideration for the acquisition was partly shares in the Company and partly the cash acquisition of existing preference shares, the cost of the acquisition was measured with reference to the Geodynamics share price at the close of business on the day the offer was declared unconditional, being 2.8 cents per share.

In this way the purchase consideration was measured as \$3,569,688 (127,488,860 shares at 2.8 cents per share) plus \$527,000 for the preference shares totalling \$4,096,688.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 13 – PROVISIONAL BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF QUANTUM POWER LIMITED (Continued)

The provisional business combination accounting resulted in the following fair values being allocated to the identifiable assets and liabilities of Quantum at the acquisition date.

	31 December 2015 \$000
ASSETS	
Current Assets	
Cash and Cash Equivalents	403
Inventories	116
Trade and Other Receivables	244
Total Current Assets	763
Non Current Assets	
Intangible Assets (including goodwill) ^{1,2}	6,178
Property, Plant and Equipment	483
Other Non Current Assets	16
Total Non Current Assets	6,677
Total Assets	7,440
LIABILITIES	
Current Liabilities	
Trade and Other Payables ¹	522
Provisions	395
Total Current Liabilities	917
Non Current Liabilities	
Deferred Tax Liability ²	1,426
Total Non Current Liabilities	1,426
Total Liabilities	2,343
Total Identifiable Net Assets At Fair Value	5,097
Purchase Consideration	
127,488,860 shares at 2.8 cents per share	3,570
Working capital contribution	1,000
Cash paid in consideration for preference shares	527
Total Purchase Consideration	5,097

1. At 31 December 2015, the group is yet to complete its analysis of the various intangible assets acquired as part of the Quantum business combination. For the purpose of the group's interim financial report, the difference between the purchase consideration and the estimated fair value of Quantum's working capital and tangible assets has been provisionally allocated to intangibles (including goodwill). The provisional fair value allocation of \$4,752,000 (before consideration of deferred tax) represent the amount which will ultimately be allocated to acquired contracts and arrangements (both profit making and onerous), customer relationships, intellectual property and goodwill.
2. As the business combination accounting is provisional, the group is still assessing the potential deferred tax consequences of the acquisition. For the purposes of the group's interim financial report, the recorded deferred tax liability has been estimated as 30% of fair value allocated to intangible assets of \$4,752,000, being \$1,426,000. The recognition of this deferred tax liability has resulted in a corresponding increase in goodwill.

In addition, general and administrative expenses in the Consolidated Statement of Comprehensive Income includes \$26,534 of transaction costs in respect of the acquisition.

Since acquisition, Quantum's contribution to the Group's revenue and loss for the half year ended 31 December 2015 is a loss of \$1,719,000. If the combination had taken place at the beginning of the financial year, the Groups revenue from continuing operations would have been \$603,271 and the loss before tax from continuing operations would have been \$1,084,930

NOTE 14 – CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date there has been no material change in contingent liabilities or contingent assets.

NOTE 15 – SUBSEQUENT EVENTS

There has not arisen between 31 December 2015 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Geodynamics Limited, I state that:

1. In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity;
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



K. Spence

Chairman

Brisbane 25 February 2016

Auditor's Independence Declaration to the Directors of Geodynamics Limited

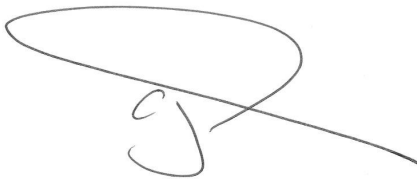
As lead auditor for the review of Geodynamics Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Geodynamics Limited and the entities it controlled during the financial period.



Ernst & Young



Andrew Carrick
Partner
25 February 2016

Independent review report to members of Geodynamics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Geodynamics Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Geodynamics Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Geodynamics Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Andrew Carrick
Partner
Brisbane
25 February 2016