



GEODYNAMICS
LIMITED

2016 Financial Report

ABN 55 095 006 090

Release Statement

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APPENDIX 4E

**PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2016
GEODYNAMICS LIMITED ABN 55 095 006 090**

Results for announcement to the market

Results	2016 \$'000	2015 \$'000	Change \$'000	% change
Loss from ordinary activities after tax attributable to members	10,562	14,445	3,883	27%
Net loss for the period attributable to members	10,559	14,418	3,859	27%

Dividends

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

Brief explanation of any of the figures reported above:

The loss from ordinary activities represents administrative overheads and a net loss from the Quantum business while project rectification works have been carried out offset by interest income received. In addition to this the Directors have also decided to recognise an impairment expense to goodwill of \$3,096,000 as detailed in Note 7 to the accounts and an impairment expense to assets held for sale of \$1,594,000.

Please refer to the attached Directors Report for a full commentary on the results for the period and refer to the 2016 Financial Report for the detailed financial statements and explanatory notes to the accounts.

NTA backing	2016	2015
Net tangible asset backing per ordinary security	\$0.029	\$0.056

Compliance statement

This report is based on accounts which have been audited.



Tim Pritchard
Company Secretary
28 August 2016

DIRECTORS' REPORT

DIRECTOR PROFILES

Your Directors submit their report for the period ended 30 June 2016. The names and details of the Directors of Geodynamics Limited 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.

Name & Qualifications	Experience
Keith Spence B.Sc (Hons), FAIM Non-executive Chairman	<p>Mr Spence has over 30 years experience in the oil and gas industry, including 18 years with Shell and has a broad knowledge of the resources sector. He retired from Woodside in 2008 after a 14 year tenure in top executive positions in that company. Mr Spence held many roles during his period with Woodside, including Chief Operating Officer and Acting Chief Executive Officer.</p> <p>Mr Spence is a Non-executive Director of Oil Search, Murray and Roberts Holdings Ltd and Independence Group. He is Chairman of Base Resources Limited, the National Offshore Petroleum Safety and Environmental Management Authority Board and the Industry Advisory Board of the Australian Centre for Energy and Process Training.</p>
Christopher Murray BE (Hons), MEAust, GAICD, AMP Managing Director & CEO (Appointed 11 January 2016)	<p>Mr Christopher Murray was appointed Chief Executive Officer and Managing Director of the Company in December 2015 and officially commenced in the role on 11 January 2016. Most recently he was the Chief Executive Officer of Solar Systems Pty Ltd, a renewable energy technology developer. Prior to Solar Systems Mr Murray spent eleven years as a senior executive with Energy Developments Limited in roles including Executive General Manager Australia, Executive General Manager Remote Energy, Project Director West Kimberley Power Project and Group General Manager Technical Services.</p> <p>With over 30 years experience, Mr Murray's expertise includes strategy, business development, research, finance and operations. He holds an honours degree in Mechanical Engineering from the University of New South Wales, is a graduate member of the Australian Institute of Company Directors, a graduate of the Harvard Business School, a member of Engineers Australia and a member of the Board of the Leukaemia Foundation of Queensland.</p>
Jack Hamilton B.Eng. (Chem), Ph.D, FAICD Non-executive Director	<p>Dr Hamilton was until February 2012, Chief Executive Officer of Exergen Pty Ltd, a low emission coal resource development company and formerly, Director of NWS Ventures with Woodside Energy. Dr Hamilton is also a Non-executive Director of DUET Group Ltd. and Calix Ltd. Dr Hamilton graduated from Melbourne University with a Bachelor of Chemical Engineering and Doctorate of Philosophy in 1981.</p> <p>He has over 28 years' experience both locally and internationally in operations management, in refining, petrochemicals and gas production, marketing, strategy and LNG project management.</p>

DIRECTORS' REPORT (Continued)

Name & Qualifications	Experience
George Miltenyi LLB, BSW, FAICD Non-executive Director	<p>Mr Miltenyi has been owner, investor and director in a wide range of commercial ventures including companies engaged in organisational development, marketing, immigration, education, life insurance, water distillation technology, recruitment and geothermal energy. Since 1989, Mr Miltenyi has been the Managing Director of an organisation development and strategy company, EMD Workforce Development which consults to some of Australia's largest corporations.</p> <p>Mr Miltenyi was instrumental in building one of Australia's largest English language educational companies (ACL). Recently, he was a director of Australian Life Insurance Pty Ltd, a unique company specialising in the provision of life and home contents insurance through mortgage brokers. Mr Miltenyi was involved in floating a recruitment firm (Rubicor), which aggregated 19 separate recruitment companies.</p> <p>He founded and managed such business as Multicultural Marketing and Management, Immigration Australia and Clean Water Technology. Mr Miltenyi has a passion for commercialising renewable energy and low carbon emission power ventures. He was a founding director of Kuth Energy, he served on the Board till the sale to Geodynamics. Mr Miltenyi holds a Bachelor of Law and Bachelor of Social Work from the University of New South Wales and is a fellow of the Australian Institute of Company Directors.</p>
Richard Brimblecombe MBA & MAICD Non-executive Director <i>(Appointed 1 September 2015)</i>	<p>Mr Brimblecombe is an experienced executive in the agri-business and finance sectors, with a deep industry knowledge of agribusiness, renewable energy and financial services. Mr Brimblecombe has experience in operation of agri-business gained through senior leadership roles at Namoi Cotton, Australia's leading cotton processing and marketing organisation, and as General Manager for Qld / NT for Landmark Services, a leading rural services business.</p> <p>Mr Brimblecombe has also served in senior executive roles in the finance industry, specialising in lending to the rural sector, including as Head of Specialised Agribusiness Solutions (Qld/NT) for Commonwealth Bank of Australia and currently as Chief Executive Officer of StockCo (Australia) Pty Ltd, Australia's and New Zealand's largest specialist livestock financier.</p> <p>Mr Brimblecombe's experience in the renewable energy sectors has been developed through roles as Managing Director and subsequently Executive Chairman of Quantum Power Limited. Mr Brimblecombe holds an Executive MBA from Bond University and is a Member of the Australian Institute of Company Directors.</p>
Geoff Ward B.E (Chem) (Hons) MBA Managing Director & CEO <i>(Resigned 31 January 2016)</i>	<p>Mr Ward was appointed Managing Director and Chief Executive Officer of Geodynamics in January 2011. Prior to his appointment he held the role of Director at Azure Capital, a Perth-based independent advisory firm, offering corporate advisory services to leading firms in the resources and engineering industries where he had worked since 2007.</p> <p>Mr Ward has over 20 years experience in the energy and finance industries in senior roles covering business development, mergers and acquisitions, operations, oil and product trading, strategic and organisational development, planning and economics, investor relations and new project development.</p> <p>Mr Ward holds an honours degree in Chemical Engineering from the University of Melbourne and a Masters of Business Administration from the University of Western Australia Business School, receiving the Director's Letter of Commendation.</p>

DIRECTORS' REPORT (Continued)

Name & Qualifications	Experience
<p>Andrew Stock B.Eng. (Chem) (Hons), FIE Aust Non-executive Director (Resigned 31 August 2015)</p>	<p>Mr Andrew Stock was formerly Director, Executive Projects for Origin Energy and in previous roles, he was responsible for Origin's major capital investments in upstream petroleum, power generation, and low emissions technology businesses.</p> <p>With over 35 years of experience, he previously held senior management positions in energy industries in Australia and overseas. He is a Board Member of the Clean Energy Finance Corporation and Non-executive Director of the listed Company Horizon Oil Limited (since February 2011). A Climate Councillor with the Climate Council, Chair of Advisory Boards for The University of Melbourne's Energy Institute, The University of Adelaide's Institute for Minerals and Energy Resources, and member of Advisory Boards for the University of Adelaide's Centre Faculty of Engineering, Computer and Mathematical Sciences, and Centre for Energy Technology. Board member of the SA Museum Foundation.</p>
<p>Robert Davies CMA (Canada) Non-executive Director (Resigned 31 August 2015)</p>	<p>Mr Robert Davies is a Chartered Professional Accountant (Canada) and has extensive senior finance experience with global mining and resource companies. He was formerly the Chief Executive Officer and a Director of Australian Energy Company Limited, an unlisted public company. Prior to that he was Executive Vice President and Chief Financial Officer for Inco Ltd, the western world's largest nickel producer. Prior to that, he was Chief Financial Officer for Alumina Ltd, and General Manager Treasury Tax and Investor Relations for WMC Ltd. He has previously held senior finance positions with BHP in Canada, the US, Chile and Australia, acquiring significant operational and corporate finance experience. He was also previously a director of PT Inco and Alcoa of Australia.</p>
<p>Michel Marier BBA (Int'l Mgt), M.Sc. (Finance), CFA, FRM Non-executive Director (Resigned 31 August 2015)</p>	<p>Mr Michel Marier joined The Sentient Group in 2009 and he is based at their office in Sydney. Before joining the Sentient Group, Mr Marier worked 8 years at the Private Equity division of la Caisse de dépôt et placement du Québec (CDPQ). While at CDPQ, his responsibilities ranged from currency hedging, risk and return analysis to investments. In 2006, he participated in the establishment of a new sector in the Private Equity division – distressed debt. In less than two years, the portfolio grew to billions through co-investments and private equity funds. After this accomplishment, Mr Marier concentrated his efforts on restoring the natural resources sector within the Private Equity division.</p> <p>Michel Marier holds a Master's degree in finance from HEC Montreal. He is a CFA charter holder. He is a former Director of Natural Resources USA Corp, a Director of Samco Gold, a company listed on the TSX.V exchange, and a Director of Toro Energy Limited.</p>

COMPANY SECRETARY

Tim Pritchard

B.Bus, MCom, MIT, CPA, GIA (Cert)

Mr Tim Pritchard joined Geodynamics in 2010 as Financial Controller and became Chief Financial Officer in May 2011 responsible for managing all financial activities of the Company as well as leading the information technology team. He was appointed Company Secretary in March 2012.

Mr Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems.

Before joining Geodynamics, Mr Pritchard was most recently engaged by leading institutional investment company, QIC as Head of Management Information.

DIRECTORS' REPORT (Continued)

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.

PRINCIPAL ACTIVITIES

The principal activities of Geodynamics Limited during the year were focussed on progressing the bioenergy opportunities brought to the business through the acquisition of Quantum Power in September 2015 while also accelerating our search for profitable growth investments in the clean technology sectors which are complementary to the Quantum business.

While actively seeking diversification opportunities we have continued to progress activities required for the remediation of our geothermal tenements in the Cooper Basin in accordance with the relevant state regulations and environmental requirements.

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS

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

	2016 \$	2015 \$
Loss before income tax expense	(10,843,606)	(14,445,416)
Net loss attributable to members of Geodynamics Limited	(10,559,086)	(14,445,416)
Earnings per Share	(cents)	(cents)
Basic and diluted loss per share	(1.98)	(3.31)

Geodynamics has positioned itself for growth in the clean energy sector. In the 12 months to 30 June 2016 the Company has ceased development of geothermal energy projects, materially completed the remediation and plug and abandonment activities in the Cooper Basin, de-risked the balance sheet and completed the acquisition of Quantum Power.

Operations

- The remediation and plug and abandonment activities in the Cooper Basin are materially complete.
- As 30 June 2016 Celsius 1, Jolokia 1, Savina 1, Habanero 1 and Habanero 2 were all plugged and abandoned with surface remediation completed. Habanero 3 and Habanero 4 are undergoing monitoring after having the cement plugs set. Plans for the final well barrier, surface plug and well cap for Habanero 3 and 4 are in place and will be executed once the monitoring period is successfully completed.
- The remaining surface remediation of the power plant site and power lines as well as the transfer of various operating assets to third parties is expected to be completed this calendar year.
- Implemented the exit of all interests in the Pacific Islands geothermal projects. There are no material financial liabilities associated with these projects.

Quantum Power

- Completed the acquisition of Quantum Power on 1 September 2015.
- Completed the Quantum Power EPC projects which were in progress at the time of the acquisition with the exception of minor outstanding items.
- Progressed planning, approvals and tendering for projects that were on foot at the time of the acquisition. Determined that in the absence of grant funding these early stage projects are not likely to meet our return hurdles, in their current project format.
- Continued the business development activities for the build own operate and maintain biogas to energy projects in the agribusiness sector. Whilst it is clear the agribusiness sector represents a growing market opportunity, the projects have a long gestation period and project rollout will be slower than originally anticipated.
- Confirmed that there is strong interest and opportunities to develop biogas to energy projects, and to expand this offering to include solar and hybrid renewable energy generation.

Other

- Appointment of a new Managing Director and Chief Executive Officer (CEO), Mr Chris Murray.
- Assessing further investment opportunities to broaden and diversify the Company's activities in the clean energy sector.

DIRECTORS' REPORT (Continued)

DIVIDEND

The Directors do not propose to recommend the payment of a dividend in respect of the period ended 30 June 2016.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of Geodynamics Limited were:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
K. Spence	212,413	-
C. Murray	-	-
J. Hamilton	856,708	-
G. Miltenyi	2,648,152	-
R. Brimblecombe	23,494,149	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were as follows:

- Definite end to geothermal energy business as witnessed by activities taken to exit the Cooper Basin and Pacific Islands projects.
- The acquisition of Quantum Power Limited, completed on 1 September 2015.
- The review of the projects on foot at the time of the Quantum Power acquisition and the likely role out of new projects resulted in a pre tax impairment charge of \$3.096 million to goodwill.

There were no other significant changes in the state of affairs of the Company during the financial period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen between 30 June 2016 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' REPORT (Continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Following the Quantum Power Acquisition the Group is well positioned for growth into further clean energy opportunities. The momentum of change in the energy sector continues to increase, the cost of renewable energy generation and battery storage continues to fall, distributed generation is gaining increased penetration, electric vehicles are receiving wide spread recognition, and consumers are becoming more energy conscious and empowered.

With a strong capability in a range of clean energy technologies and the associated utility and infrastructure sectors, Geodynamics will continue to assess and review acquisition opportunities within the clean energy sector that will compliment the Quantum Power business. It remains the Company's priority to complete a further acquisition or transaction and deliver on our mission to deliver sustainable value for shareholders and customers by delivering innovative clean energy products and services.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Geodynamics Limited's presence within the Cooper Basin has reduced significantly over the last year as site remediation has progressed. Geodynamics has completed most of the remediation activities in the Cooper Basin. The need for monitoring has greatly reduced but will be continued until the remaining wells Habanero 3 and Habanero 4 have been capped. Geodynamics maintains a strong commitment to the effective environmental management within our tenements. Our Environmental Policy and Environment Management System (EMS) provide the framework to support and guide activities, both in our offices and on our sites, in relation to environmental performance.

A summary of the Company's compliance with environmental regulatory requirement with regards to environmental performance over the year is as follows:

- No serious environmental incidents occurred.
- Notices of Entry have been submitted to all relevant stakeholders prior to commencement of activities, including traditional owners and pastoralists, with no complaints received. Activity Notifications and Work Programs submitted to Department of State Development (DSD) for each activity as part of this process.
- Submission of Quarterly and Annual Reports to the DSD as required for our existing tenements.

Geodynamics will continue to plan and manage plug, abandonment and rehabilitation activity in the Cooper Basin in line with the Statement of Environmental Objectives (SEO) requirements for the area. Remediation activity will be linked to the completion of agreed observation periods following the plug and abandonment of wells.

DIRECTORS' REPORT (Continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the entity paid premiums in respect of contracts insuring directors, secretaries, and executive officers of the Group and related entities against liabilities incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001, subject to the terms, conditions, limitations and exclusions of the policy. Under the terms of the policy, the Group is precluded from disclosing details of premiums paid.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the Class Order applies.

SHARE OPTIONS

Unissued shares – employee options

As at the date of this report, there were no unissued ordinary shares under employee options (2015 – NIL).

Shares issued as a result of the exercise of employee options

There were no employee options exercised during the financial year (2015 – Nil) or since the end of the financial year.

Unissued shares – shareholder options

As at the date of this report, there were no unissued ordinary shares under shareholder options (2015 – Nil).

Shares issued as a result of the exercise of shareholder options

There were no shareholder options exercised during the financial year (2015 – Nil) or since the end of the financial year.

DIRECTORS' MEETINGS

During the period there were thirteen directors' meetings held of which nine were by telephone conference. The number of directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial period are as follows:

	Directors' Meetings		Audit & Risk Management Committee Meetings		Remuneration & Nominations Committee Meetings	
	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended
K. Spence	13	13	-	-	1	1
G. Ward	7	7	-	-	-	-
C. Murray	6	6	-	-	-	-
B. Davies	3	3	1	1	-	-
J. Hamilton	13	13	2	2	1	1
M. Marier	3	2	1	1	-	-
A. Stock	3	3	-	-	-	-
G. Miltenyi	13	12	1	1	1	1
R. Brimblecombe	10	10	1	1	-	-

DIRECTORS' REPORT (Continued)

The Company had two committees during the year with the following membership:

Audit & Risk Management Committee – Membership comprises three Non-executive Directors being Messrs Hamilton (Chair), Miltenyi and Brimblecombe.

Remuneration & Nominations Committee – Membership comprises three Non-executive Directors being Messrs Spence (Chair), Miltenyi and Hamilton.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Geodynamics Limited which is listed immediately after this report and forms part of this Directors' report.

During the 2016 financial year, \$4,600 of non-audit services were provided by the entity's auditor, Ernst & Young relating to due diligence activities for prospective acquisitions (2015: \$nil). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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.

CORPORATE GOVERNANCE

The Directors recognise the need for the highest standards of corporate behaviour and accountability and therefore support and have adhered to the principles of Corporate Governance. The Company's Corporate Governance Statement is printed immediately following this Directors' Report.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited)

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements in place for Directors and Executives of Geodynamics Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
 - A. Remuneration principles and strategy
 - B. Approach to setting remuneration
 - C. Detail of Incentive Plans
4. Executive remuneration outcomes for 2015/16 (including link to performance)
5. Executive contracts
6. Non-executive Director remuneration (including statutory remuneration disclosures)
7. Additional statutory disclosures

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly including any Director.

For the purposes of this report, the term 'executive' encompasses the Managing Director and the executive management team of the Company.

Non-executive Directors (NEDs)

K. Spence	Chairman
J. Hamilton	Director
G. Miltenyi	Director
R. Brimblecombe	Director
R. Davies (resigned 31 August 2016)	Director
M. Marier (resigned 31 August 2016)	Director
A. Stock (resigned 31 August 2016)	Director

Executive Directors

C. Murray (appointed 11 January 2016)	Managing Director and CEO
G. Ward (resigned 31 January 2016)	Managing Director and CEO

Other Executives

T. Pritchard	Chief Financial Officer & Company Secretary
A. Mills (ceased employment 5 August 2016)	Project Engineering Team Leader

DIRECTORS' REPORT (Continued)

2. Remuneration governance

Remuneration Committee

The Remuneration & Nominations Committee comprises three Non-executive Directors. The Remuneration and Nominations Committee has the primary objective of assisting the Board in developing and assessing the remuneration policy and practices of the Directors, Chief Executive Officer and Senior Executives who report directly to the CEO.

Specifically, the Board approves the remuneration arrangements of the CEO, the aggregate annual fixed remuneration salary review, the level of the short-term incentive (STI) pool and the methodology for awards made under the long-term incentive (LTI) plan, following recommendations from the Remuneration & Nominations Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

Committee assessments incorporate the development of remuneration policies and practices which will enable the Company to attract and retain executives who will create value for shareholders. Executives will be fairly and responsibly rewarded having regard to the performance of the Company, the performance of the executive and the general market environment. The Committee also assists the Board in its own self evaluation by annually reviewing the process for self evaluation. This considers attributes such as the qualitative and quantitative nature of the review, and the mix between total Board review and individual Director review.

The Remuneration & Nominations Committee meets regularly through the year. The CEO attends remuneration committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration & Nomination Committee's role, responsibilities and membership can be found on the Company's web site at www.geodynamics.com.au.

Use of Remuneration Consultants

The company did not appoint remuneration consultants for remuneration recommendations during the financial year.

Remuneration Report approval at FY14/15 AGM

The FY14/15 remuneration report received positive shareholder support at the FY14/15 AGM with a vote of 78.3% in favour.

DIRECTORS' REPORT (Continued)

3. Executive Remuneration Arrangements

3A. Remuneration principles and strategy

Geodynamics' executive remuneration strategy is designed to attract, motivate and retain highly skilled executives and align the interests of executives and shareholders.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive salaries to attract high calibre executives;
- Link executive performance rewards to medium and longer term shareholder value creation through the KPI linked Short Term Incentive plan, and;
- Establish appropriate share price performance hurdles under its long term incentive plan to align executive reward with shareholder value creation, the achievement of which will depend on the Company achieving key corporate milestones that are integral to the Company's successful completion of its business plan.

The Company aims to reward its Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for company, business division and individual performance against targets set by reference to appropriate benchmarks;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

3B. Approach to setting remuneration

The Managing Director's and key executives' emoluments are structured to retain and motivate Executives by offering a competitive base salary, a short term annual cash-based performance related component together with longer term performance incentives through the Geodynamics Limited Share Appreciation Rights Plan which allow executives to align with the success of Geodynamics Limited.

Remuneration consists of the following key elements:

- Fixed Remuneration – Base salary and superannuation;
- Variable Remuneration under the Geodynamics Short Term Incentive Plan (STIP) – payable in cash at the end of the financial year;
- Variable Remuneration under the Geodynamics Limited Share Appreciation Rights Plan payable in Shares subject to performance conditions in accordance with the Plan.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration of the Managing Director is reviewed annually by the Remuneration and Nominations Committee and approved by the Board. Factors considered include Company and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice. The Remuneration and Nominations Committee has access to external advice independent of management.

Senior Executives receive their fixed (primary) remuneration in cash. The fixed remuneration component of KMP is detailed in Table 1 of this report.

DIRECTORS' REPORT (Continued)

3C. Details of Incentive Plans

Short Term Incentive Plan (STIP)

The objectives of the Geodynamics STIP are to:

- Reward employees for their contribution in ensuring that Geodynamics achieves the corporate key deliverables;
- Encourage team work;
- Enhance Geodynamics attracting and retaining high calibre and high performing employees; and
- Link remuneration directly to the achievement of key annual organisational objectives.

The Company has in place an annual STIP that establishes a pool of funds up to a maximum of 30% of annualised fixed remuneration, adjusted in size according to the achievement of key Company Business Plan milestones in a year.

The distribution of the pool is to be determined by team achievement in delivering the team business plan milestones. Specifically, base targets are outlined that if achieved would result in an award of 20% of annualised fixed remuneration. First stretch targets are outlined that if achieved would result in an award of up to 25% of fixed annual remuneration and second stretch targets are outlined that if achieved would result in an award of up to the maximum of 30% of fixed annual remuneration.

To participate in the Plan, eligible staff must be employed for at least six months for the financial year in question meaning that for the FY15/16 year, eligible staff must have started by 1 January 2015.

On an annual basis, after consideration of performance against KPIs, the board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid from the pool of funds.

For the current financial year, as for the previous 2 years, the Board has exercised its discretion not to pay any short term incentive under the plan.

Geodynamics Share Appreciation Rights Plan

The Geodynamics Share Appreciation Rights (SARs) Plan was approved by the Board in October 2013. The first issue of SARs under the approved plan rules was approved by shareholders at the November 2013 AGM.

A Share Appreciation Right is a right to receive shares in the Company or an equivalent cash payment based on the increase in the GDY share price over a specified period, subject to satisfying certain conditions (including a performance condition).

The objective of the Geodynamics SARs Plan is to:

- Align the interests of eligible employees with those of shareholders;
- Provide incentives to attract, retain and/or motivate eligible employees in the interests of the company; and
- Provide eligible employees with the opportunity to acquire Share Appreciation Rights, and ultimately Shares, in accordance with the plan rules.

The Board may, at its discretion, grant to an eligible employee or may invite an eligible employee to apply for a grant of SARs. The vesting of SARs is subject to conditions determined at the time of each issue.

Hedging of shares and options risk

Currently no Director or officer uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.

DIRECTORS' REPORT (Continued)

4. Executive Remuneration outcomes for FY15/16

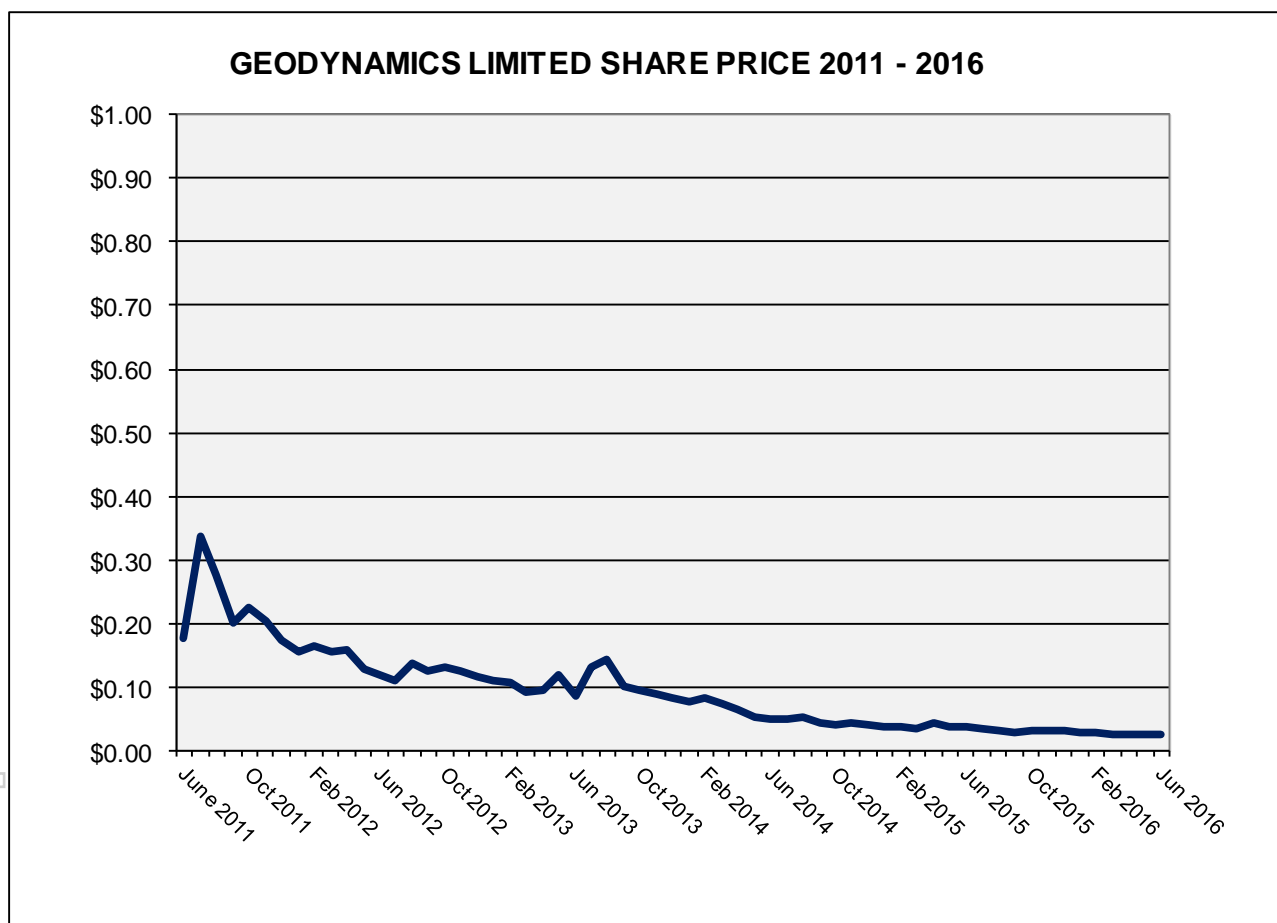
Company performance and its link to short-term incentives

Due to the focus during the year on accelerating our search for profitable growth investments in the clean technology sectors outside of geothermal developments, management and the Board deemed it to be inappropriate to establish milestones under the short term incentive plan.

The Board and management will re-establish milestones under the short-term incentive plan after the completion of merger and acquisition activities which will drive the strategic future direction of Geodynamics.

Company performance and its link to long-term incentives

The graph below shows the performance of the Company as measured by its share price and therefore by definition its Total Shareholder Return. The loss per share from continuing operations for the last five years was as follows: 2011/12 - \$0.031, 2012/13 - \$0.26, 2013/14 - \$0.03, 2014/15 - \$0.03, 2015/16 - \$0.02.



No shares were issued to the Deferred Employee Share Plan.

DIRECTORS' REPORT (Continued)

Table 1 – Remuneration of KMP of the Company for the year ended 30 June 2016

	Short-Term	Post Employment	Share Based payment		Total	Performance Related	
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares ³ (amortised cost)			SARs ³ (amortised cost)
G. Ward ¹	233,970	-	17,500	-	-	251,470	0%
C. Murray ²	144,507	-	13,728	-	-	158,235	0%
T. Pritchard	259,115	-	24,605	-	-	283,720	0%
A. Mills	252,442	-	23,982	-	-	276,424	0%
Totals	890,034	-	79,815	-	-	969,849	

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2015

	Short-Term	Post Employment	Share Based payment		Total	Performance Related	
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares ³ (amortised cost)			SARs ³ (amortised cost)
G. Ward ¹	407,500	-	29,942	17,857	131,805	587,104	25.49%
T. Pritchard	259,115	-	22,255	2,373	0	283,743	0.84%
A. Mills	277,678	-	19,271	4,744	0	301,693	1.57%
Totals	944,293	-	71,468	24,974	131,805	1,172,540	

- 1 G. Ward ceased employment on 31 January 2016 and forfeited all SARs. Share based payment expenses of \$131,825, previously recognised under AASB 2, have been reversed.
- 2 C. Murray was appointed on 11 January 2016.
- 3 The share and SARs amortised cost relate to those shares and SARs issued to the CEO as approved by shareholders at the November 2011 Annual General Meeting.

DIRECTORS' REPORT (Continued)

5. Summary of Executive Contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

The contracts below include arrangements entered into prior to the amendments to the Corporations Act 2001 regarding termination payments which came into effect on 24 November 2009. No contracts of the Company however exceed the revised limits on termination payments.

Managing Director and Chief Executive Officer

Mr Christopher Murray was appointed Managing Director on 11 January 2016. Mr Murray's remuneration package is formalised in an open ended executive service agreement, the details of which were disclosed to the ASX in an announcement on 11 January 2016. The key terms of Mr Murray's contract are as follows:

- He currently receives a base remuneration including superannuation of \$335,000 per annum;
- Short Term Incentive – Up to \$67,000 per annum which is only payable on the achievement of certain performance milestones.
- Long term incentive (Share Appreciation Rights) – subject to shareholder approval, the Company will grant the Executive a total of 20 million Share Appreciation Rights (SARs). The performance condition is based on growth in the Geodynamics share price. All SARs granted under this LTI will have a performance condition threshold of Geodynamics Limited achieving a minimum share price of \$0.05 / share. No SARs will vest if the growth in the Geodynamics share price is below threshold. The SARs will be initially tested against the performance condition on the earliest vesting date applicable.

The CEO's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	6 months	6 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	14 days	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of long term illness, disablement, or notice without cause	6 months	6 months	Maybe prorated for time and performance subject to Board discretion	Maybe prorated for time and performance subject to Board discretion
Change of control	14 days	6 months	Prorated for time and performance	Prorated for time and performance

DIRECTORS' REPORT (Continued)

Other KMP

All other KMP have rolling contracts.

Other standard KMP provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	3 months	3 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, or notice without cause	3 months	3 months	Maybe prorated for time and performance subject to board discretion	Maybe prorated for time and performance subject to board discretion
Change of control	1 month	1 month	Prorated for time and performance	Prorated for time and performance

6. Non-executive Director remuneration arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. The amounts are set at a level that compensates the Directors for their significant time commitment in overseeing the progression of the Company's business plan.

The Constitution of Geodynamics and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2007 when shareholders approved an aggregate remuneration of \$700,000 per year.

The Board will not seek any increase for the NED pool at the 2016 AGM.

Structure

Each Non-executive Director receives a fee for being a Director of the Company. The current fee structure is to pay Non-executive Directors a gross annual remuneration of \$50,000 p.a. with the Chairman paid \$65,000 p.a. There are no additional fees paid for committee memberships. There are no retirement benefits offered to Non-executive Directors. In accordance with good corporate governance practice, the Non-executive Directors do not participate in share and share option based remuneration plans of the Company.

The Company notes that, due to his previous role as Managing Director of Quantum Power, Mr Richard Brimblecombe is not considered by the ASX Corporate Governance Principles to be independent.

DIRECTORS' REPORT (Continued)

The remuneration of Non-executive Directors for the year ending 30 June 2016 is detailed in Table 3 of this report and the remuneration for the comparative year ending 30 June 2015 is detailed in Table 4 of this report.

Table 3 – Non-executive Directors' Remuneration for the year ended 30 June 2016

	Directors fees	Superannuation	Total
K. Spence	59,302	5,634	64,936
R. Davies ¹	6,719	638	7,357
J. Hamilton	47,552	-	47,552
M. Marier ¹	5,375	511	5,886
A. Stock ¹	6,719	638	7,357
G. Miltenyi	43,427	4,126	47,553
R. Brimblecombe ²	42,941	2,530	45,471
Totals	212,035	14,077	226,112

1 Resigned 31 August 2015

2 Appointed 1 September 2015

Table 4 – Non-Executive Directors' Remuneration for the year ended 30 June 2015

	Directors fees	Superannuation	Total
K. Spence	78,833	7,489	86,322
R. Davies ¹	53,750	5,106	58,856
J. Hamilton	51,499	-	51,499
M. Marier ¹	43,000	4,085	47,085
A. Stock ¹	53,750	5,106	58,856
G. Miltenyi	43,000	4,085	47,085
Totals	323,832	25,871	349,703

1 Resigned 31 August 2015

2 Appointed 1 September 2015

DIRECTORS' REPORT (Continued)

7. Additional statutory disclosures

Table 5 – Shares granted to executives as part of remuneration for the year ended 30 June 2016

During the financial year, no shares were granted under the Long Term Incentive Plan to executives as the plan was terminated in the prior financial year.

No shares vested to executives for the year ended 30 June 2016.

Table 6 - Shareholdings of Key Management Personnel

FY2016	BALANCE AT BEGINNING OF PERIOD 01/07/15	APPOINTMENTS/BECAME KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/16
Directors			
C. Murray	-	-	-
J. Hamilton	856,708	-	856,708
K. Spence	212,413	-	212,413
G. Miltenyi	2,648,152	-	2,648,152
R. Brimblecombe	-	23,494,149	23,494,149
Executives			
T. Pritchard	284,685	-	284,685
A. Mills	301,136	-	301,136
Total	4,303,094	23,494,149	27,797,243

Signed in accordance with a resolution of the Directors.



K. Spence
Chairman
Brisbane, 29 August 2016

Auditor's Independence Declaration to the Directors of Geodynamics Limited

As lead auditor for the audit of Geodynamics Limited for the financial year ended 30 June 2016, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Andrew Carrick
Partner
29 August 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Geodynamics Limited is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

The Geodynamics Limited Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations 3rd Edition the Principles of which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

Geodynamics Limited's corporate governance practices were in place throughout the year ended 30 June 2016 and were fully compliant with the Council's recommendations except for the following:

Recommendation 3.3 - Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to set specific numeric targets as these could be inappropriately skewed by the small sample size. Geodynamics currently has participation from a diverse workforce, with gender diversity being in advance of industry averages for our sector.

Recommendation 3.4 - Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to publish specific employment numbers as Company does not believe this information adds any meaningful value due to its small workforce.

For further information on corporate policies adopted by Geodynamics Limited, please refer to "Governance" under the Our Company Tab on our website located at www.geodynamics.com.au.

For 2016, the Company's reporting against the Principles is as follows:

CORPORATE GOVERNANCE STATEMENT (Continued)

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The Board operates in accordance with the following principles and guidelines.

- The Board does comprise a majority of Non-executive Directors.
- The Chairperson is an independent Director.
- The Board does comprise Directors with an appropriate range of qualifications and expertise.
- The terms and conditions of the appointment of Non-executive Directors are set out in a letter of appointment. The appointment letter covers the following matters:
 - the level of remuneration;
 - the tenure of appointment;
 - the expectation of the Board in relation to attendance and preparation for all Board meetings;
 - the Directors code of conduct;
 - the procedures dealing with conflicts of interest; and
 - the availability of independent advice - The Board has agreed a procedure for Directors to take independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.
- The Board meets as often as required to attend to the affairs of the Company and follow meeting guidelines set down to ensure all Directors are made aware of, and have available to them all necessary information enabling them to participate in an informed discussion of all agenda items.
- The Chairman of the Board meets regularly with the Managing Director.

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- Approving objectives, goals and strategic direction for management;
- Monitoring financial performance including adopting annual budgets and approving the Company's financial statements;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting, appointing and reviewing the performance of the Managing Director and Chief Executive Officer and reviewing the performance of senior operational management;
- Ensuring significant business risks are identified and appropriately managed; and
- Reporting to shareholders on performance.

The Company's Managing Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which executives are assessed is aligned with the financial and non-financial objectives of Geodynamics Limited. Further details of the process for evaluating performance are set out in the Remuneration Report

The Board may determine from time to time to establish specific purpose sub-committees to deal with specific issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision. Minutes of committee meetings are tabled at the immediate subsequent Board meeting.

CORPORATE GOVERNANCE STATEMENT (Continued)

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

SKILLS, EXPERIENCE AND EXPERTISE OF DIRECTORS

The Directors in office at the date of this statement are:

Name	Position	Independent	Term in Office	Expertise
Keith Spence	Non-executive Chairman	Yes	8.1 years	Energy, Engineering and Management
Christopher Murray	Managing Director	No	0.6 years	Energy, Renewables, Risk Management and Project Delivery
Jack Hamilton	Non-executive Director	Yes	9.9 years	Energy, Engineering and Management
George Miltenyi	Non-executive Director	Yes	2.5 years	Energy, Management and Employment
Richard Brimblecombe	Non-executive Director	No	1 year	Agribusiness, Renewables and Management

INDEPENDENT DIRECTORS

Directors of Geodynamics Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent. Therefore there are six Non-executive Directors, five of whom are deemed independent, and one Executive Director. One Non-executive Director who is not deemed independent is an Officer of one of the Company's three largest shareholders.

Further details of the members of the Board including their experience and expertise are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (Continued)

NON-EXECUTIVE DIRECTORS

The four Non-executive Directors periodically meet for a period of time, without the presence of management, to discuss the operation of the Board and a range of other matters including those relating to Remuneration and Directors' Nominations. Relevant matters arising from these meetings are shared with the full Board.

TERM OF OFFICE

The Company's constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

NOMINATIONS

The Company has established a combined Remuneration and Nominations Committee. Membership and composition of this Committee is discussed at the end of this Corporate Governance Statement. With regard to the Nominations charter of the Committee, the main functions of the Committee are to:

- Devise criteria (necessary and desirable competencies) for Board membership for approval by the full Board.
- Identify specific individuals for nomination.
- Make recommendations to the Board for new Directors and membership of committees being always mindful that any recommendation should ensure there is a complementary mix of necessary skills.
- Annually, assist the Chairman of the Company in advising Directors about their performance and tenure.
- Oversee management succession plans, including the Managing Director and Chief Executive Officer and first line managers;
- Review of the Board succession plan.
- Critically examine the Committee's performance and recommend any changes to the responsibilities to the Board.

In devising criteria for Board membership, the Company uses a Board skills matrix to identify any gaps in the skills and experience of the Directors on the Board. In addition, the Company uses a combination of professional intermediaries to identify and assess candidates as well as the network of contacts within the Board itself.

PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the practice of the Board is as follows:

- The performance of all Non-executive Directors is reviewed periodically by the Chairman;
- All Directors periodically complete a structured self evaluation questionnaire that aims to evaluate the performance of the Board as a whole. These responses are collated and subsequently discussed by the Board to improve the functional operations of the Board;
- The Chairman meets privately with each Director as appropriate to discuss their individual performance;
- The Chairman's performance is reviewed by the Board.

CORPORATE GOVERNANCE STATEMENT (Continued)

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The Company has established a policy regarding Diversity that is underpinned by four key principles:

- **Fairness:** Every person will have the opportunity to work and succeed at Geodynamics - regardless of their gender, nationality, background, age, physical ability or sexual orientation.
- **Support:** The Company will support the varying needs of its diverse workforce by providing flexible working conditions and ensuring programs are in place to enable every Geodynamics employee to reach their career potential.
- **Respect:** Every Geodynamics employee will be treated with dignity and respect, recognising that success depends upon the commitment, capabilities and diversity of the Company's employees.
- **Leadership:** The Board and senior leaders will be ultimately responsible for instilling a culture that embraces and values diversity amongst the workforce.

At least once every 12 months, the Remuneration and Nominations Committee will review the Diversity Policy including a review of the diversity objectives and initiatives to ensure they remain current and appropriate and a review of progress on the achievement of diversity objectives over the preceding year.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Board has adopted an Audit & Risk Committee Charter to ensure the truthful and factual presentation of the Company's financial position and to review and advise on the company's risk management processes. Audit & Risk Committee meetings will be held periodically throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The Audit & Risk Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The Chief Executive Officer and Chief Financial Officer may attend the committee meetings by invitation.

The main functions of the committee will be to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures;
- Ensure effective deployment of risk management processes;

CORPORATE GOVERNANCE STATEMENT (Continued)

- Nominate the external auditors and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

The Chairman of the Audit & Risk Management Committee reviews the performance of the Committee with members and reports annually to the Board.

The members of the Audit & Risk Committee during the year were:

Robert Davies (Chairman until resignation on 31 August 2015)

Michel Marier (until resignation on 31 August 2015)

Jack Hamilton (Chairman from 1 September 2015)

George Miltenyi (from 1 September 2015)

Richard Brimblecombe (from 1 September 2015)

For details on the qualifications of the audit & risk committee members, the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Board has adopted a Listing Rule 3.1 Compliance Policy, which has been designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times. The Company's Continuous Disclosure Policy is available on the Company's website.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- Quarterly Reports to all shareholders;
- The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
- The Company's Corporate Internet site at www.geodynamics.com.au. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

CORPORATE GOVERNANCE STATEMENT (Continued)

Shareholders are actively encouraged to become 'online shareholders' by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight, management and internal control.

The Company is committed to having a culture of risk management and has established a risk management system that supports a pro-active approach to managing risk and to exploiting opportunity at all levels.

A risk review process is conducted for each component phase of the Company's business plan and these will continue to be conducted for subsequent stages to highlight major risk areas and plan the treatment to manage those risks. In addition, a formal risk management plan is included as part of every major capital acquisition or procurement decision and key risk/opportunity areas and their drivers are included in the Management/Board reporting system.

Management, through the Managing Director and Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee and the full Board on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis or more frequently as required by the Board or Committee.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic, operational and technical risks in conjunction with, and as a key input to an annual corporate strategy workshop attended by the Board and senior management. This workshop reviews the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives. Management are required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks are reviewed on an ongoing basis and independently audited from time to time. The Audit and Risk Committee oversees the adequacy and comprehensiveness of risk reporting from management.

The Board receives a written assurance from the Chief Executive Officer and the Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them 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 relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

CORPORATE GOVERNANCE STATEMENT (Continued)

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with short and long term performance incentives through cash, shares and options which allow executives to share in the success of Geodynamics Limited. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

The Company currently has four Non-executive Directors and a Managing Director. The Company's Managing Director does not receive Directors' fees and his remuneration package is formalised in a service agreement. The Non-executive Directors' maximum aggregate remuneration as approved by shareholders is currently \$700,000 and is set at a level that compensates the directors for their significant time commitment in overseeing the progression of the Company's business plan.

There are no retirement benefits offered to Non-executive Directors other than statutory superannuation. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report which is contained within the Directors' Report.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee operates under a charter approved by the Board. Remuneration and Nomination Committee meetings are held at least semi-annually and otherwise as required throughout the year. It is the policy of the Board that the members of the Committee shall be a minimum of three Non-executive Directors and a majority of independent directors. The Remuneration and Nominations Committee will be chaired by a Non-executive Director.

With regard to the Remuneration charter of the Committee, the main functions of the Committee are to:

- Set the terms and conditions of employment for the Chief Executive Officer.
- Set policies for Senior Executive remuneration including the Chief Executive Officer and other Executive Directors (if any) and review from time to time as appropriate.
- Set policies for Non-executive Director remuneration and review and recommend the level of remuneration with the assistance of external consultants as appropriate.
- Make recommendations to the Board on remuneration for the Chief Executive Officer and Executive Director(s).
- Review and approve the recommendations of the Chief Executive Officer on the remuneration of Senior Executives.
- Review all equity based plans and make recommendations to the Board for approval.
- Review and approve the design of Executive Incentive Plans ensuring appropriate performance hurdles are in place.

CORPORATE GOVERNANCE STATEMENT (Continued)

- Review transactions between the group and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.
- Review and approve the annual Remuneration Report contained within the Directors' Report.

The members of the Remuneration and Nominations Committee during the year were:

Andrew Stock (Chairman until resignation on 31 August 2015)

Keith Spence (Chairman from 1 September 2015)

Robert Davies (until resignation on 31 August 2015)

Jack Hamilton (from 1 September 2015)

George Miltenyi (from 1 September 2015)

For details on the number of meetings of the Remuneration and Nominations Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Continuing Operations			
Interest Income		646	986
Site Income		165	-
Equipment Sales		188	-
Total Revenue		999	986
Other Income		3,751	256
Impairment of Property, Plant & Equipment	6	-	(2,550)
Impairment of Deferred Exploration & Evaluation Costs		-	(8,044)
Impairment of Assets Held for Sale		(1,594)	-
Impairment of Goodwill		(3,096)	-
Personnel expenses	3A	(3,191)	(2,561)
Exploration and Evaluation Expense	3B	-	-
General & Administrative Expenses	3C	(2,803)	(2,559)
Other Operating Expenses	3D	(4,644)	-
Corporate Expenses Recovered		-	27
Share of loss in associate		(266)	-
Total Expenses		(11,843)	(15,431)
Income/(Loss) before Income Tax Expense		(10,844)	(14,445)
Income Tax Benefit/(Expense)	4	282	-
Income/(Loss) after Income Tax Expense		(10,562)	(14,445)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	12	3	27
Other Comprehensive Income for the period		3	27
Total Comprehensive Income/(Loss) for the period		(10,559)	(14,418)
Attributable to:			
Equity holders of the Parent		(10,559)	(14,418)
Basic and Diluted Earnings/(Loss) per share (cents per share)	15	(1.98)	(3.31)
Basic and Diluted Earnings/(Loss) per share attributable to the equity holders of the entity (cents per share)	15	(1.98)	(3.31)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016		2016	2015
	Note	\$'000	\$'000
Current Assets			
Cash Assets	21(A)	14,406	28,000
Inventories		1,229	950
Receivables	5	5,048	2,375
Assets Held for Sale		250	-
Total Current Assets		20,933	31,325
Non Current Assets			
Property, Plant and Equipment	6	28	1,364
Intangible Assets	7	1,000	-
Total Non Current Assets		1,028	1,364
Total Assets		21,961	32,689
Current Liabilities			
Payables	8	3,016	616
Provisions	9	1,516	7,477
Total Current Liabilities		4,532	8,093
Non Current Liabilities			
Provisions	9	291	337
Total Non Current Liabilities		291	337
Total Liabilities		4,823	8,430
Net Assets		17,138	24,259
Equity			
Issued Capital	11	351,908	348,338
Other Reserves	12	8	11,235
Accumulated Losses		(334,778)	(335,314)
Total Equity		17,138	24,259

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

CONSOLIDATED CASH FLOW STATEMENT

FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Cash Flows from/(used in) Operating Activities			
Customer Receipts		454	-
Net Goods and Services Tax received		889	850
Payments to suppliers and employees		(4,816)	(6,549)
Net Interest Received		664	1,254
Net cash flows from/(used in) Operating Activities	21(B)	(2,809)	(4,445)
Cash Flows from/(used in) Investing Activities			
Proceeds from Government Grants		350	-
Proceeds from R&D Tax Incentive		2,381	3,488
Purchase of Property, Plant & Equipment		(735)	(56)
Payments for Exploration, Evaluation and Rehabilitation expenditure		(7,724)	(6,392)
Payments for Quantum projects and rectification costs		(4,148)	-
Payments for Quantum acquisition (including working capital)		(1,527)	-
Proceeds from sale of property, plant & equipment		211	1,590
Cash acquired from business acquisition		407	-
Net cash flow (used in) investing activities		(10,785)	(1,370)
Cash Flows from Financing Activities			
Net cash flow provided by financing activities		-	-
Net increase / (decrease) in cash held		(13,594)	(5,815)
Add: Opening cash carried forward		28,000	33,815
Closing cash carried forward	21(A)	14,406	28,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 30 JUNE 2016	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	-	-	-	(10,562)	(10,562)
Other comprehensive income	-	-	3	-	3
Total loss for the period	-	-	3	(10,562)	(10,559)
Equity Transactions:					
Share issued in consideration of Quantum Power acquisition	3,570	-	-	-	3,570
Cost of share-based payment - reversal of SARs expense	-	(132)	-	-	(132)
Employee Equity Benefits Reserve transferred to Retained Earnings *	-	(11,098)	-	11,098	-
At 30 June 2016	351,908	-	8	(334,778)	17,138

* Refer to Note 12 for details of transfer

FINANCIAL YEAR ENDED 30 JUNE 2015

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	-	-	-	(14,445)	(14,445)
Other comprehensive income	-	-	27	-	27
Total loss for the period	-	-	27	(14,445)	(14,418)
Equity Transactions:					
Share based payment on Employee Share Plan	-	129	-	-	129
Cost of share-based payment - recognition of SARs expense	-	132	-	-	132
At 30 June 2015	348,338	11,230	5	(335,314)	24,259

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 year ended 30 June 2016 was authorised in accordance with a resolution of the Directors on 25 August 2016.

Geodynamics Limited is a for profit Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. The Directors have adopted the going concern assumption in preparing the financial report.

B. Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

C. New Accounting standards and interpretations

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2016.

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 are:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality* (effective 1 July 2015);

None of these amendments to standards affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The following new accounting standards and interpretations are not likely to affect future periods:

- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (effective 1 July 2016);
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective 1 July 2016);
- AASB 1057 *Application of Australian Accounting Standards* (effective 1 July 2016);
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* (effective 1 July 2016);
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective 1 July 2016);

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards* (effective 1 July 2016);
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (effective 1 July 2016) and;
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* (effective 1 July 2016).

The following are yet to be assessed:

- AASB 9 *Financial Instruments* (effective 1 July 2018);
- AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2018);
- AASB 16 *Leases* (effective 1 July 2019);
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* (effective 1 July 2017);
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative* (effective 1 July 2017) and;
- IFRS 2 (Amendments) *Classification and Measurement of Share-based Payment Transactions* (effective 1 July 2018).

D. Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Controlled entity/subsidiaries

The consolidated financial statements include the financial statements of the ultimate parent company, Geodynamics Limited, and its controlled entities listed in the following table:

Name	Country of Incorporation	Equity Interest %	
		2016	2015
Parent Entity			
Geodynamics Limited	Australia	100	100
Directly controlled by Geodynamics Limited			
Geodynamics NT Pty Ltd ¹	Australia	100	100
Geodynamics (Savo Island) Pty Ltd	Australia	100	100
Geodynamics Share Plans Pty Ltd	Australia	100	100
KUTh Energy Limited	Australia	100	100
Quantum Power Limited	Australia	100	-
GDY Solar Pty Ltd	Australia	100	100
Directly Controlled by KUTh Energy Limited			
KUTh Exploration Pty Ltd	Australia	100	100
Mineral Ventures Pty Ltd ¹	Australia	100	100
KUTh Pacific Ltd	Australia	100	100
Directly Controlled by KUTh Pacific Ltd			
KUTh Exploration (Fiji) Limited	Fiji	100	100
KUTh Energy (PNG) Ltd ²	PNG	50.2	50.2
KUTh Energy (Vanuatu) Ltd	Vanuatu	100	100
Directly Controlled by Quantum Power Limited			
BioEnergy Projects	Australia	100	-
Quantum Gas Energy	Australia	100	-
Quantum Investment Holdings	Australia	100	-
Quantum Engine Power	Australia	100	-
Quantum Power (Africa)	South Africa	100	-

¹ Deregistered on 1 February 2016.

² At 30 June 2016 KUTh Energy (PNG) Ltd is substantially dormant. Ongoing administrative costs are incurred by Geodynamics Limited (ultimate parent entity). At 30 June 2016 the non-controlling interest amount is \$nil (2015 - \$nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

E. Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgement, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provision for site rehabilitation

The Company reviews rehabilitation requirements for its geothermal exploration tenements on a six-monthly basis by undertaking an in-house analysis of the costs to rehabilitate the sites including the plugging and abandoning of wells as appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Non-current assets held for sale.

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such non-current assets are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

At 30 June 2016 the assets held for sale represent certain surplus geothermal assets. The assets are held at the Group's best estimate of their fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

F. Foreign Currency Translation

Both the functional and presentation currency of Geodynamics is Australian dollars (\$A). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the financial report are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the translation of financial statements of foreign subsidiaries are taken to the foreign currency translation reserve at the balance date.

G. Property, Plant & Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The costs include obligations relating to reclamation, plant closure and other costs associated with the rehabilitation of the site. Depreciation is provided on a straight line basis on all property, plant and equipment. All classes are depreciated over periods ranging from 3 to 15 years (comparable to prior year). The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment exists when the carrying value exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income in the year the loss is recognised.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

H. Exploration, Evaluation, Development and Rehabilitation costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

As reported at 30 June 2014, the Company finalised the technical appraisal of its Cooper Basin project and associated resource. In the absence of a small scale commercial project or other plan to commercialise the project in the medium term, the Company impaired the carrying amount of its deferred exploration, evaluation and development costs in respect of the Cooper Basin Project to \$nil.

Commensurate with the ongoing appraisal and review of the Cooper Basin project additional evaluation costs have been incurred since 1 July 2014. As it is not possible to reliably demonstrate the additional costs in respect of the Cooper Basin project will be recouped through successful development or sale, the Company has recorded these costs in the Statement of Comprehensive Income for the year ended 30 June 2016.

Impairment

The carrying values of exploration, evaluation, development and rehabilitation costs are reviewed for impairment in accordance with AASB 6 Exploration and Evaluation of Mineral Resources when facts and circumstances suggest that the carrying amount of such an asset may exceed its recoverable amount. Any impairment loss identified is recognised as an expense in accordance with AASB 136 Impairment of Assets.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on the production output basis.

Rehabilitation costs

Rehabilitation costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for rehabilitation. Accordingly, these costs will be recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, plant closure and other costs associated with the rehabilitation of the site.

I. Intangibles

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

At 30 June 2016 all finite life intangibles are fully amortised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

J. Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for a cash-generating unit (CGU). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

K. Cash and Cash Equivalents

Cash assets on the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

L. Inventories

Inventories include spare parts and consumable items used in operations and are valued at the lower of cost and net realisable value.

M. Contributed Equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

N. Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

O. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

P. Employee Benefits

(i) Wages, salaries, annual leave and sick 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. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Q. Share-based Payment Transactions

The Company provides benefits to employees (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The current plan in place to provide these benefits is the Geodynamics Limited Share Appreciation Rights Plan which both provides benefits to executive directors and senior employees.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

R. Revenue Recognition

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

Interest income

Interest income is recorded as the interest accrues, using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Site Income

Site income relates to electricity sales and renewable energy credits from the government. Revenue from the sale of electricity is recognised on delivery of the product. Renewable energy credits income is recognised when earned.

Equipment Sales

Equipment sales relate to income earned for the construction and delivery of biogas energy systems to customers. Revenue is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to project costs incurred to date as a percentage of total estimated costs for each contract which is determined by a set quotation with the customer.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

S. Government Grants

Government Grants (including R&D tax incentives) are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants relating to expensed exploration and evaluation costs are recorded as an offset against those expenses. To the extent the government grant is greater than the associated expenditure the residual amount is recorded as other income.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account until such time as all conditions associated with the grant are met. Once these conditions are achieved the credit is allocated to the relevant asset. The amount of the grant is then released to net income over the expected useful life (by way of reduced depreciation or amortisation) of the relevant asset.

T. Earnings per Share

Basic earnings per share is determined by dividing the profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is determined by dividing the profit/(loss) after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial period.

U. Income Tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

For Geodynamics Limited, no deferred income tax asset is being recognised in the accounts as the benefit is not considered to be probable of being realised at this stage of the Company's development. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in net income.

Deferred income tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow Statement on a net basis and the GST component arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

W. Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Operating segments are identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors in order to allocate resources to the segment and assess its performance.

X. Joint Arrangements

The Company is a party to a joint operation 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 30 June 2016 Geodynamics had met all requirements for the initial 25% interest.

In prior years the Company was a party to two joint operations named the Innamincka 'Deeps' Joint Venture and the Innamincka 'Shallows' Joint Venture. Although named 'Joint Venture' the arrangements are accounted for as Joint Operations. The joint operations with Origin Energy Limited were formed to explore and evaluate enhanced geothermal systems in the Cooper/Eromanga basin in South Australia. The joint operations comprised South Australian geothermal tenements and all property plant and equipment for use in the Cooper/Eromanga basin. At 30 June 2013, Origin Energy Limited withdrew from the joint operations. Coincident with the withdrawal, the Company became the 100% participant in the arrangement and obtained control of its geothermal tenements and all property plant and equipment.

Under the Joint Venture agreement, Origin Energy remain liable for their share of rehabilitation expenditure for a period of five years from the date of withdrawal.

Y. Parent Entity Financial Information

The financial information for the parent entity, Geodynamics, included in Note 26, has been prepared on the same basis as the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Z. Going Concern

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 30 June 2016, the Directors are satisfied the Company has sufficient cash resources to cover its near term planned expenditure, including cash outflows associated with the operation of Quantum Power Limited. 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 technologies where it is able to utilise its skills and capacity to develop further clean energy projects that provide an acceptable return for shareholders.

AA. Comparative Figures

When required by Accounting Standards, comparative figures are adjusted to conform to changes in presentation for the current financial year. Certain comparative financial information presented in the Statement of Comprehensive Income has been reclassified in this financial report to improve the presentation of information given the acquisition of the Quantum Power Limited business (refer Note 17) during the current financial year. The reclassification results in no net change to loss or cash flows for the comparative period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3A – PERSONNEL EXPENSES

	2016 \$'000	2015 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Share Plan Expense	-	129
SARs Expense	(132)	132
Employee Expenses	3,323	2,300
	3,191	2,561

NOTE 3B – EXPLORATION AND EVALUATION COSTS

	2016 \$'000	2015 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Expenditure for the period	4,567	4,211
Origin cost reimbursement	(3,207)	(2,250)
Change in Rehabilitation	226	80
Proceeds from Government Grants	(350)	-
R&D Tax Incentive	(1,236)	(2,041)
	-	-

* Total R&D incentives received or receivable are \$4,949,000 for the year ended 30 June 2016 (2015 \$2,293,000). R&D expenditure is recognised as a contra to exploration and evaluation costs to the extent it reduces the expenditure to \$nil. To the extent the R&D incentive received or receivable exceeds exploration and evaluation costs for the year, the residual amount is classified as other income in the statement of comprehensive income. For the year ended 30 June 2016 the amount of R&D incentive included in other income is \$3,713,000 (2015 \$252,000).

NOTE 3C – OTHER EXPENSES AND LOSSES/(GAINS)

	2016 \$'000	2015 \$'000
General and administrative expenses have been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	17	79
Interest expense	4	4
Loss on disposal of plant & equipment	88	12
Operating lease rentals paid	151	715
Foreign exchange loss/(gain)	5	8

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3D – OTHER OPERATING EXPENSES

	2016 \$'000	2015 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Amortisation of Intangibles	1,000	-
Depreciation	462	-
Project Rectification Costs	2,194	-
Other Project Costs	988	-
	4,644	-

NOTE 4 – INCOME TAX

	2016 \$'000	2015 \$'000
Income tax expense		
The prima facie tax benefit on loss of 30% (2015 - 30%) differs from the income tax provided in the financial statements as follows:		
Prima facie tax benefit on loss	3,253	4,334
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D Tax Incentive Receivable	(3,471)	(893)
Change in R&D Incentive for the prior year	(1,478)	(1,400)
Impairment of Goodwill	(929)	-
Other income/(expenses)	38	(79)
Income tax benefit/(expense)	(2,587)	1,962
Deferred tax assets for tax losses and other temporary differences recognised/(not recognised)	2,305	(1,962)
Income tax benefit attributable to operating loss ¹	282	-

¹ The Group's net income tax benefit for the year ended 30 June 2016 represents the income tax effect of the reversal of deferred tax liabilities recognised as part of the business combination accounting for Quantum Power (refer Note 17).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax liabilities				
Deferred exploration phase expenditure	-	-	-	-
Deferred evaluation phase expenditure ³	-	-	-	-
Other deferred tax liability	(70)	(93)	-	-
Deferred tax assets				
Losses available for offset against future taxable income			-	-
Company ²	73,744	77,765		
Subsidiary ³	1,631	1,142		
Other deferred tax asset	566	2,346	-	-
Net deferred tax assets	75,871	81,160		
Deferred tax asset for tax losses not recognised ¹	(75,871)	(81,160)		
Gross deferred income tax assets	-	-		
Deferred tax income/(expense)	-	-	-	-

1 Deferred tax assets arising from tax losses and temporary differences are only brought to account to the extent that it offsets the Group's deferred tax liabilities arising from temporary differences. As the Group does not have a history of taxable profits and is not revenue generating, the deferred tax assets associated with tax losses and temporary differences, in excess of the Group's deferred tax liabilities arising from temporary differences, is not yet regarded as probable of recovery at 30 June 2016.

2 The Company's tax losses for the 2015 financial year (reported above) have been adjusted to reflect the income tax return lodged during the 2016 financial year.

3 The subsidiary tax losses were acquired as part of the acquisition of KUTH Energy Limited and Quantum Power Limited. No fair value was allocated to the tax losses as part of the business combination accounting as the tax losses are not considered probable of recovery. Given the change in ownership of KUTH Energy Limited and Quantum Power Limited and their controlled entities, the recovery of the tax losses is likely to be subject to the same business test.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5 – RECEIVABLES (CURRENT)	2016 \$'000	2015 \$'000
GST Receivable	375	90
Interest Receivable	47	76
R&D Tax Incentive Receivable	3,471	893
Other Receivables	1,155	1,316
	5,048	2,375

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

Allowance for Impairment loss.

No allowance has been made for impairment loss. A provision for impairment loss is only recognised when there is objective evidence that an individual receivable is impaired. None of the balances within receivables contain impaired assets.

NOTE 6 – PROPERTY, PLANT & EQUIPMENT	2016 \$'000	2015 \$'000
Plant and Equipment at cost	23,053	23,587
Less: accumulated depreciation and impairment	(23,025)	(22,223)
Total Property, Plant and Equipment	28	1,364
<i>Reconciliation of Plant & Equipment</i>		
Carrying amount at beginning	1,364	4,127
Additions	7	25
Acquisitions *	483	
Disposals	(342)	(1,810)
Impairment	-	(2,550)
Reclassification to Assets Held for Sale	(1,082)	-
Depreciation/Amortisation Expense	(489)	(79)
Depreciation written back on disposal of assets	87	1,651
Carrying amount at the end	28	1,364

* These assets were acquired as part of the purchase of Quantum Power during the year (refer to Note 17).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 – INTANGIBLES	2016 \$'000	2015 \$'000
Intangibles (including goodwill) at cost	5,096	-
Less: accumulated amortisation and impairment	4,096	-
Total Intangibles	1,000	-
Reconciliation of Intangibles (including goodwill)		
Acquisitions – Customer Contracts *	1,000	-
Acquisitions – Goodwill *	4,096	-
Impairment	(3,096)	-
Amortisation of Customer Contracts	(1,000)	-
Carrying amount at the end	1,000	-

* These assets were acquired as part of the purchase of Quantum Power during the year (refer note 17)

At 30 June 2016, carrying amount of intangibles reflects only goodwill acquired as part of the Quantum Power business combination (refer note 17). All other intangibles acquired as part of the business combination have been fully amortised.

The goodwill is allocated to the Group's Biogas Energy CGU. At 30 June 2016 delays in the conversion and execution of the Biogas Energy CGU's pipeline of projects (due in large part to reassessment of project economics) has resulted in impairment indicators. The recoverable amount for the Biogas Energy CGU at 30 June 2016 was determined to be \$1.0 million, being the Group's best estimate of its fair value less cost of disposal ("FVLCD") at that time. FVLCD has been used to measure recoverable amount because generating cash flows requires significant expansionary capital to generate sustainable revenues and profit.

The Group has measured FVLCD using a discounted cash flow model and the calculated recoverable amount of \$1.0 million results in the recognition of an impairment charge of \$3,096,000 at 30 June 2016. The recoverable amount is classified as a level 3 fair value measurement under the fair value hierarchy.

The cash flows used by the Group to estimate FVLCD are based on seven (7) year period with a terminal value calculation (based on EBITDA multiples in the seventh year). The cash flows assume the Biogas Energy CGU develops a portfolio of Build, Own, Operate and Maintain ("BOOM") projects during the seven year period. The forecast cash flows are discounted using a post-tax, equity rate of return of 20%.

The forecast cash flows include a number of key, judgmental assumptions including:

- Capital cost of the BOOM facilities;
- Availability of debt and/or equity finance to fund the expansionary capital;
- Power Purchase Agreement revenues;
- Timing and number of BOOM projects identified and executed by the Group;
- EBITDA multiple in year seven; and
- Discount rate.

The calculated FVLCD is sensitive to the above assumptions. Should the Group not achieve the forecast expansion timetable (including the number of projects), not be able to access debt or equity funding or experience cost and capital overruns additional impairment would result. To illustrate the level of this sensitivity, a 2% increase in the discount rate sees the recoverable amount of the CGU reduce to \$nil.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8 – ACCOUNTS PAYABLE

	2016 \$'000	2015 \$'000
Current		
Trade Creditors	2,285	252
Accrued Liabilities	731	364
Trade creditors and accruals	3,016	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.

NOTE 9 – PROVISIONS

	Employee Entitlements \$'000	Rehabilitation Provision \$'000	Rectification Provision \$'000	Other Provisions \$'000	Total Provisions \$'000
At 1 July 2015	248	7,566	-	-	7,814
Arising during the year	184	510	2,194	120	3,008
Utilised	(170)	(7,306)	(1,539)	-	(9,015)
At 30 June 2016	262	770	655	120	1,807
Current 2016	171	570	655	120	1,516
Non current 2016	91	200	-	-	291
	262	770	655	120	1,807
Current 2015	111	7,366	-	-	7,477
Non current 2015	137	200	-	-	337
At 30 June 2015	248	7,566	-	-	7,814

The rehabilitation provision relates to the remaining rehabilitation of the Cooper Basin site including the wells and surface rehabilitation.

The rectification provision relates to the remaining rectification of the Quantum Power projects.

Bank guarantees totalling \$240,000 are held to cover South Australian and NSW governments tenement rehabilitation obligations.

The components of the provision for employee entitlements is detailed in note 14.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10 – FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash and cash equivalents, receivables and payables.

All financial assets are recognised initially at fair value plus transaction costs, and financial liabilities are recognised initially at fair value. Subsequent measurement of financial assets and liabilities depends on their classification, summarised in the table below.

	2016 \$'000	2015 \$'000
	Amortised Cost	Amortised Cost
Financial Assets		
Cash and Cash Equivalents	14,406	28,000
Receivables	5,049	2,375
	19,455	30,375
Financial Liabilities		
Payables	3,016	616
	3,016	616

Financial assets and liabilities carried at amortised cost are measured by taking into account any discount or premium on acquisition, and fees or costs associated with the asset or liability. Due to the short-term nature of these assets and liabilities, their carrying value is assumed to approximate their fair value.

AASB7 Financial Instruments: Disclosures requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – the fair value is calculated using quoted market prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group does not have any level 1, level 2 or level 3 financial instruments as at 30 June 2016 or 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11 – ISSUED CAPITAL	2016 \$'000	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
30/06/15	Balance end of financial year	435,880,130		348,338
24/09/15	Shares issued in consideration of the Quantum Power acquisition	127,488,860	0.028	3,570
30/06/16	Balance end of financial year	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 shareholders and government grants for its funding requirements.

Unissued Shares – Shareholder Options

At 30 June 2016, there were no unissued ordinary shares under shareholder options (2015 – Nil). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. There were no shareholder options granted during the financial year ended 30 June 2016 (2015 – Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12 – RESERVES	2016 \$'000	2015 \$'000
Deferred Employee Share Plan Reserve	-	3,591
Employee Share Option Reserve	-	7,507
Employee SARs Reserve	-	132
Foreign Currency Translation Reserve	8	5
	8	11,235
Reconciliation of Reserves		
Carrying amount at beginning	11,235	10,947
Recognition of Share Plan Expense	-	129
Recognition of SARs Expense	(132)	132
Recognition of Foreign Currency Translation Reserve	3	27
Transfer of Reserves to Retained Earnings	(11,098)	-
	8	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. As the LTIP has now been terminated, the carrying value of the Deferred Employee Share Plan Reserve has been transferred to retained earnings at 30 June 2016. Refer to Note 14 for further details.

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. As the LTIP has now been terminated, the carrying value of the Employee Share Option Reserve has been transferred to retained earnings at 30 June 2016. Refer to Note 14 for further details.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 13 – EXPENDITURE COMMITMENTS

Geothermal Systems (EGS) Tenement Commitments

In order to maintain current rights of its EGS tenements, the Company is required to outlay annual rentals and to meet certain expenditure requirements of State Mines Departments. These obligations are subject to renegotiation upon expiry of the tenements. The obligations are not provided for in the financial report and are payable as follows:

	2016 \$'000	2015 \$'000
Payable not later than one year	127	259

Operating Leases (non-cancellable)

	2016 \$'000	2015 \$'000
Payable not later than one year	48	71
Later than one year but not later than five years	-	8
	48	79

Other Commitments (Open Purchase Orders)

	2016 \$'000	2015 \$'000
Other Commitments (Open Purchase Orders)	456	443

Included in the other commitments are open purchase orders in relation to the Deeps Joint Venture – refer to Note 25 for details.

The Company has no capital commitments at 30 June 2016.

NOTE 14 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

	2016 \$'000	2015 \$'000
Provision for Annual Leave (current)	171	111
Provision for Long Service Leave (non-current)	91	137
	262	248

Superannuation Commitments

The Company contributes to external accumulation funds for its employees which provide benefits for employees and their dependants on retirement, disability or death. These funds provide benefits on a defined contribution basis. Contributions are enforceable to the extent of the contribution required by the Superannuation Guarantee Levy.

Employer contributions paid or payable to the plans	311	258
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Share Appreciation Rights (SARs) Plan

The Geodynamics Share Appreciation Rights (SARs) Plan was approved by the Board in October 2013.

A Share Appreciation Right is a right to receive shares in the Company or an equivalent cash payment based on the increase in the GDY share price over a specified period, subject to satisfying certain conditions (including a performance condition).

The objective of the Geodynamics SARs is to:

- Align the interests of eligible employees with those of shareholders;
- Provide incentives to attract, retain and/or motivate eligible employees in the interests of the company; and
- Provide eligible employees with the opportunity to acquire Share Appreciation Rights, and ultimately Shares, in accordance with the plan rules.

The Board may, at its discretion, grant to an eligible employee or may invite an eligible employee to apply for a grant of SARs. The vesting of SARs is subject to conditions determined at the time of each issue. The 4,862,222 share appreciation rights granted to Mr Ward during the previous financial year were forfeited at the time of his resignation on 31 January 2016.

Subject to shareholder approval, the Company will grant Mr Murray a total of 20 million Share Appreciation Rights after the Annual General Meeting. Performance conditions for the vesting of the SARs at the testing dates are based on growth in the GDY share price.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 15 - EARNINGS PER SHARE	2016	2015
	\$'000	\$'000
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)	(1.98)	(3.31)
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)	(10,559)	(14,445)
Weighted average number of ordinary shares used in calculation of basic earnings per share	534,606,783	435,880,130

NOTE 16 - 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 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.

No operating segments have been aggregated to form the reportable segments below.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

Segment Information

The following table represents revenue and profit information for the Group's operating segments for the year ended 30 June 2016.

Year Ended 30 June 2016	Geothermal \$'000	Biogas Energy \$'000	Corporate Overheads \$'000	Adjustments and Eliminations \$'000	Consolidated \$'000
Results					
Segment Profit/(Loss)	1,372	(9,829)	2,105	-	(10,562)
Assets	5,115	8,169	14,517	(5,885)	21,916
Liabilities	2,919	7,160	583	(5,885)	4,777

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17 – BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF QUANTUM POWER LIMITED

On 1 September 2015, the Company announced its off-market offer to acquire 100% of the voting 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 \$3,570,000 (127,488,860 shares at 2.8 cents per share) plus \$527,000 for the preference shares totalling \$4,097,000. In addition Geodynamics provided a working capital loan of \$1,000,000 as part of the purchase consideration; therefore the total consideration was assessed to be \$5,097,000.

The goodwill of \$4,096,000 comprises the value of synergies and customer relationships which are not separately recognised. Goodwill is allocated entirely to the Bioenergy segment. The customer relationships (as distinct from customer contracts) are not separable and therefore do not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Quantum Power Limited and its subsidiaries contributed \$391,000 of revenue and \$5,540,000 to the loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$1,045,000 and loss before tax from continuing operations for the Group would have been \$10,105,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Assets acquired and Liabilities assumed

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

	1 September 2015 \$000
ASSETS	
Current Assets	
Cash and Cash Equivalents	403
Inventories	116
Trade and Other Receivables	244
Total Current Assets	763
Non Current Assets	
Goodwill ¹	4,096
Customer Contracts ²	1,000
Property, Plant and Equipment ³	483
Other Non Current Assets	16
Total Non Current Assets	5,595
Total Assets	6,358
LIABILITIES	
Current Liabilities	
Trade and Other Payables	522
Provisions	458
Total Current Liabilities	980
Non Current Liabilities	
Deferred Tax Liability	281
Total Non Current Liabilities	281
Total Liabilities	1,261
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 Subsequently impaired (refer Note 7)
- 2 Amortised to nil as at 30 June 2016 (refer Note 7)
- 3 Depreciated to nil as at 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18 – REMUNERATION OF AUDITORS

	2016 \$	2015 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity	112,450	69,000
Other assurance services	4,600	-
	117,050	69,000

NOTE 19 – KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel

	2016 \$	2015 \$
Short-term employee benefits	1,102,069	1,665,673
Post-employment benefits	93,892	114,313
Share based payment	-	173,240
	1,195,961	1,953,226

Further information on remuneration of Key Management Personnel is shown in the Remuneration Report contained within the Directors' Report.

NOTE 20 – RELATED PARTY DISCLOSURES

Quantum RCM

As part of the Quantum Power Limited business acquisition the Group acquired a 50% interest in Quantum RCM (a 50/50 incorporated joint venture). At 30 June 2016 the carrying amount of the investment in Quantum RCM is \$nil and the loss for the period is \$266k which represents the Group's funding of the incorporated joint venture.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 21 - NOTES TO THE CASH FLOW STATEMENT	2016 \$'000	2015 \$'000
A. Reconciliation of Cash		
Cash is defined in Note 2K to this financial report. Cash balance comprises:		
Cash on Hand	-	-
Cash at Bank	600	466
Bank Bills and Term Deposits ¹	13,806	27,534
Total Cash	14,406	28,000
B. Reconciliation of the operating loss after tax with the net cash flows used in operations		
Loss after income tax	(10,562)	(14,445)
Depreciation and amortisation	1,479	79
Net (profit)/loss on disposal of property, plant & equipment	88	220
Shares issued under Deferred Employee Share Plan	-	129
SARs issued	(132)	132
Exploration and Evaluation Cost treated as an investing activity	7,921	1,998
Impairment of Property Plant & Equipment	-	2,550
Impairment of Goodwill	3,096	-
Impairment of Exploration & Evaluation Costs	-	8,044
Impairment of Assets Held for Sale	1,594	-
Share of Loss in Associate	266	-
Changes in Assets & Liabilities		
(Increase)/decrease in receivables and prepayments	(2,674)	1,063
Increase/(decrease) in other creditors and accruals	2,400	(2,919)
(Increase)/decrease in inventories	(278)	(57)
Increase/(decrease) in general provisions	(6,007)	(1,239)
Net Cash Flow used in Operating Activities	(2,809)	(4,445)

1. The Group has pledged \$278k of its short term deposits to fulfil bank guarantee requirements. This amount has been excluded from the calculation of cash and cash equivalent balance at 30 June 2016 shown on the balance sheet and statement of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 22 – CONTINGENT LIABILITIES

Geodynamics Limited has been advised that the South Australian Geothermal Exploration Licences No. 211 (GEL) and Geothermal Retention Licences (GRL) No. 3 through to 12 and 20 to 24 have been granted by the Department of Primary Industries and Resources South Australia on the basis that the grant of a GEL or GRL is not an act which creates a 'right to mine' and therefore 'the right to negotiate' process in the relevant native title legislation does not apply and the grant of the GELs and GRLs are valid for native title purposes. The Company's legal advice is that this is a sustainable position although it would be open to a Court to reach a different conclusion. Any substantiated claim may have a financial ramification for the Company.

The Company has also been advised that none of the New South Wales tenements are invalid for native title purposes or attract the relevant right to negotiate provisions in the applicable native title legislation.

Bank guarantees totalling \$240,000 are held to cover South Australian and New South Wales governments' tenement rehabilitation obligations. A bank guarantee totalling \$37,597 is held by the landlord for the lease of the Brisbane office premises.

NOTE 23 – SUBSEQUENT EVENTS

There has not arisen between 30 June 2016 and the date of this report any other 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.

NOTE 24 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to manage the finances for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Primary responsibility for identification and control of financial risks rests with the board of directors, however the day-to-day management of these risks is under the control of the Managing Director and Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections.

(A) Credit Risk

The Company's maximum exposures to credit risk at balance date in relation to financial assets, is the carrying amount of those assets as recognised on the statement of financial position. There are no derivative financial instruments currently being used by the Company to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. It is noted that the company's significant receivable balances at 30 June 2016 relate to the R&D tax incentive and the amount receivable from Origin Energy for the reimbursement of costs related to remediation activity in the Cooper Basin.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(B) Liquidity Risk

The Company's objective is to maintain sufficient funds to finance its current operations with additional funds to ensure its long-term survival in the event of a business downturn. The Company's policy is that it is dependent on shareholder funds until such time as it commences generating revenue from operations. It has no finance facilities in place and no borrowings. The contractual maturity of the Company's financial liabilities are:

	2016 \$'000	2015 \$'000
6 months or less	3,016	716

NOTE 25 – INTEREST IN JOINT OPERATIONS

In November 2012, Geodynamics Limited entered into a two stage earn-in and joint operating agreement with Kentor Energy Pty Ltd ("Kentor"), a subsidiary of Kentor Gold Ltd (ASX: KGL), to acquire up to 70% interest in a conventional geothermal power supply project in the Solomon Islands.

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. Although named 'Joint Venture' the arrangement is accounted for as a Joint Operation.

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 30 June 2016 Geodynamics had met all requirements for the initial 25% interest.

NOTE 26 – INFORMATION RELATING TO GEODYNAMICS LIMITED (THE PARENT)

	2016 \$'000	2015 \$'000
Current Assets	20,765	32,559
Total Assets	20,781	32,680
Current Liabilities	3,351	8,085
Total Liabilities	3,642	8,423
Contributed Equity	351,908	348,338
Accumulated Losses	(334,777)	(335,312)
Other Reserves	8	11,231
	17,139	24,257
Profit or loss of the Parent entity	(11,214)	(14,604)
Total comprehensive income of the Parent entity	(11,214)	(14,604)

The Parent has not issued guarantees in relation to the debts of its subsidiaries.

The Parent has no contingent liabilities nor any contractual obligations on behalf of its subsidiaries at 30 June 2016.

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, notes and additional disclosures included in the Directors' Report designated as audited of the Company are in accordance with the *Corporations Act 2001*, including:
 - (b) giving a true and fair view of the Company's financial position as at 30 June 2016 and of their performance for the period ended on that date; and
 - (c) complying with Accounting Standards and Corporations Regulations 2001; and
 - (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
 - (e) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2016.

On behalf of the Board.



K. Spence

Chairman

Brisbane 29 August 2016

Independent auditor's report to the members of Geodynamics Limited

Report on the financial report

We have audited the accompanying financial report of Geodynamics Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2B, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit 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.

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Opinion

In our opinion:

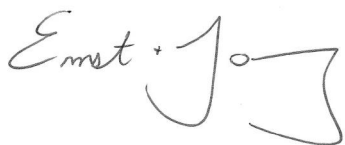
- a. the financial report of Geodynamics Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2B.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Geodynamics Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Andrew Carrick
Partner
Brisbane
29 August 2016