



2015 Financial Report

ABN 55 095 006 090

Release Statement

This document is copyright. Except for the purposes permitted under the Copyright Act, no part of the publication may be reproduced in any form or by any means without permission of Geodynamics Limited.

CONTENTS

APPENDIX 4E	3
DIRECTORS' REPORT	4
Auditor's Independence Declaration to the Directors of Geodynamics Limited	26
CORPORATE GOVERNANCE STATEMENT	27
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	37
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	38
CONSOLIDATED CASH FLOW STATEMENT	39
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
NOTES TO THE FINANCIAL STATEMENTS	41
DIRECTORS' DECLARATION	79
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEODYNAMICS LIMITED	80

APPENDIX 4E

PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2015
GEODYNAMICS LIMITED ABN 55 095 006 090

Results for announcement to the market

Results	2015 \$'000	2014 \$'000	Change \$'000	% change
Loss from ordinary activities after tax attributable to members	14,445	14,781	336	2%
Net loss for the period attributable to members	14,445	14,781	336	2%

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 overhead offset by interest income received. In addition to these recurring expenses the Directors have also decided to recognise two impairment expenses relating to Deferred Exploration and Evaluation Costs and Property, Plant and Equipment. These impairment expenses totalled in aggregate \$10.59 million.

Please refer to the attached Directors Report for a full commentary on the results for the period and refer to the 2015 Financial Report for the detailed financial statements and explanatory notes to the accounts.

NTA backing	2015	2014
Net tangible asset backing per ordinary security	\$0.056	\$0.088

Compliance statement

This report is based on accounts which have been audited.



Tim Pritchard
Company Secretary
28 August 2015

DIRECTORS' REPORT

DIRECTOR PROFILES

Your Directors submit their report for the period ended 30 June 2015. 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	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. Mr Spence is a Non-executive Director of Oil Search 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.
Geoff Ward B.E (Chem) (Hons) MBA Managing Director & CEO	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. 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. 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.
Andrew Stock B.Eng. (Chem) (Hons), FIE Aust Non-executive Director	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. With over 35 years of experience, he previously held senior management positions in energy industries in Australia and overseas. He is a Non-executive Director of the listed Companies Horizon Oil Limited (since February 2011) and Silex Systems Limited (since August 2013), a Board Member of Alinta Holdings and the Clean Energy Finance Corporation, Chair of the Adelaide University Institute for Mineral & Energy Resources Advisory Board, Chair of the Melbourne Energy Institute Advisory Board, a member of the Advisory Board of the Adelaide University Faculty of Engineering, Computer and Mathematical Sciences, and a member of the Advisory Board of the Adelaide University Centre for Energy Technology. He has a Chemical Engineering degree (Honours) from the University of Adelaide, is a Fellow of the Institution of Engineers Australia, and a Graduate member of the Australian Institute of Company Directors.

DIRECTORS' REPORT (Continued)

Name & Qualifications	Experience
Robert Davies CMA (Canada) Non-executive Director	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.
Jack Hamilton B.Eng. (Chem), Ph.D, FAICD Non-executive Director	Dr Jack Hamilton was formerly CEO of Exergen Pty Ltd, a low emission coal resource development Company and prior Director of NWS Ventures with Woodside Energy. Dr. Hamilton is also Chairman of Antilles Oil and Gas NL and a non-executive director of Calix Ltd, Duet Group and Federation Training. Dr Hamilton graduated from Melbourne University with a Bachelor of Chemical Engineering and Doctorate of Philosophy in 1981. 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.
Michel Marier BBA (Int'l Mgt), M.Sc. (Finance), CFA, FRM Non-executive Director	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. 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.
George Miltenyi LLB, BSW, FAICD Non-executive Director <i>(appointed 1 March 2014)</i>	George Miltenyi recently served for 7 years as a Non-Executive Director of KUTh Energy. George 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, renewable distributed energy generation and recruitment. Since 1989, George has been the Managing Director of EMD Workforce Development working with some of Australia's largest corporations including Atlas Copco, Mobil, Amcor, Smorgons, Ausgrid, BASF, AAPT, Snowy Hydro, Energex, Ergon Energy, Queensland Health, Queensland Rail, and ARTC with a focus of building leadership and optimising organisational strategy and performance. George 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. George co-founded and managed such business as Multicultural Marketing and Management, Immigration Australia and Clean Water Technology. George has a passion for commercialising renewable energy, distributed generation, low carbon emission power ventures and building businesses.

DIRECTORS' REPORT (Continued)

COMPANY SECRETARY

Tim Pritchard

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 activity of Geodynamics Limited during the year was focussed on accelerating our search for profitable growth investments in the clean technology sectors outside of geothermal developments.

Since flagging our new diversified strategy to the market many opportunities have presented in the areas of Clean Energy Supply and Services, Efficiency and Storage and Cleantech Industrial Services.

Our focus on reducing operating costs and expenses over the past 12 months have resulted with the company having a strong cash position. This strong cash position together with our internal capabilities are key assets and advantages to successfully growing the Company beyond geothermal.

While actively seeking diversification opportunities we have continued to progress our existing geothermal projects to key milestones at low cost. In the Cooper Basin we have completed the agreed research and development program with Beach Energy regarding potential future uses for the Habanero Project and the Innamincka Deeps Granite Resources. In the Pacific Islands, we continue our engagement with host governments, electricity utilities, regulators, development agencies and local communities in Vanuatu and Solomon Islands to secure required environmental approvals and off-take agreements necessary to support further development activities. There continues to be strong interest in the development of renewable energy in the Pacific Region from major stakeholders and we will continue to work with all key stakeholders as we look to progress these projects towards achieving a return on investment for shareholders.

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS

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

	2015 \$	2014 \$
Loss before income tax expense	(14,445,416)	(14,780,549)
Net loss attributable to members of Geodynamics Limited	(14,445,416)	(14,780,549)
Earnings per Share	(cents)	(cents)
Basic and diluted loss per share	(3.31)	(3.51)

In the 12 months to 30 June 2015, Geodynamics has made further progress in its development of zero-emissions, renewable energy generation. The key achievements and highlights for the 12 months to June 2015 were as follows:

Quantum acquisition

- Completion of due diligence and negotiations in regards to the Takeover Offer for Quantum Power Limited.
- Signing of Bid Implementation Agreement with Quantum Power

Takara Project

- Completion of the Takara Geothermal Power Project Environmental and Social Impact Assessment, confirmed that the Project can be developed safely with low impact on the environment.

Other

- Variation to the ARENA grant deed with continued contribution of up to \$27.15 million.
- Receipt of \$3.5 million under R&D Tax Incentive rebate in December
- Completion of research program under the farm - in agreement with Beach Energy.
- Continued progress to complete remediation works and reduce liability associated with geothermal permits in the Hunter Valley, NSW and Innamincka, SA (Cooper Basin).
- Registration of GDY Solar as an exempt retailer so allowing GDY to offer Solar Power Purchase Agreements to businesses and tenants in the commercial, industrial, educational and government sectors.
- Geodynamics continues to work with both the Vanuatu and Solomon Islands governments and local utility companies to explore opportunities to further the projects in these countries. As at 30 June 2015 there are no plans for substantive expenditure on further exploration or evaluation of these resources, nor is it clear that the carrying amount of the exploration and evaluation costs associated with these projects are likely to be recovered through successful development or by sale. The Board has therefore impaired the carrying amount of the deferred exploration, evaluation and development costs in respect of these projects to \$nil. In the absence of any agreement to fund or sell these projects this represents the company's best estimate of the fair value less cost to sell of these assets at 30 June 2015. In the scenario where an agreement is reached to fund or sell these projects an impairment reversal may be recorded.

DIRECTORS' REPORT (Continued)

EMPLOYEES

The Company had 10 equivalent full time employees as at 30 June 2015 (2014: 23 employees).

DIVIDEND

The Directors do not propose to recommend the payment of a dividend in respect of the period ended 30 June 2015.

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	-
G. Ward	730,319	-
R. Davies	120,775	-
J. Hamilton	856,708	-
M. Marier	-	-
A. Stock	62,315	-
G. Miltenyi	2,648,152	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- The acquisition of Quantum Power Limited is progressing well with acceptances of the offer now exceeding 99%.
- The focus of activities in the Cooper Basin is on the planning and execution of the full remediation of the site in accordance with the Statement of Environmental Objectives. This includes the plug and abandonment of the remaining wells as well as the removal of surface infrastructure and rehabilitation of the site.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the acquisition of Quantum Power Limited as discussed in the significant changes in the state of affairs section above, there has not arisen between 30 June 2015 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

DIRECTORS' REPORT (Continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The principal activity of Geodynamics Limited during the year was focussed on accelerating our search for profitable growth investments in the clean technology sectors outside of geothermal developments.

Geodynamics has a strong capability in a range of clean energy technologies and the associated utility and infrastructure sectors. With the significant changes occurring in these markets we are continuing to actively assess and consider opportunities outside our existing portfolio that can provide returns to shareholders. Our activities in this area have included a rigorous and deliberate review of emerging opportunities in the clean technology sectors that has identified a number of areas of opportunity for further consideration.

In line with our search for profitable growth investment opportunities, on 14 July 2015 Geodynamics announced an all scrip offer to acquire Quantum Power Limited. The merger of the two companies will provide Geodynamics shareholders with entry into the biogas energy market, a growing and attractive segment of the clean technology and renewable energy sector, and exposure to immediate short-term attractive project opportunities and a pipeline of medium and longer term growth opportunities.

Geodynamics will continue to actively seek other opportunities to invest in alongside the Quantum investment to build a strong portfolio of opportunities in the clean technology sectors.

Having successfully completed the sale and transfer of the Habanero Camp to Beach Energy Limited, additional field works in the Cooper Basin will be undertaken to plug and abandon and complete site remediation works associated with the Habanero-4, Habanero-1, Jolokia and Savina well sites and the surface infrastructure within the Habanero site in line with our permit obligations.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Geodynamics Limited's presence within the Cooper Basin reduced significantly with the de-manning of our Habanero Camp in June 2014. Geodynamics continues to manage its assets within the tenements through routine site inspections/maintenance and remote well monitoring. 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.
- Geodynamics met the requirements of an Environmental Improvement Notice from DSD with the removal of disused pipeline between Jolokia and Habanero.
- Submission of Quarterly and Annual Reports to the DSD as required for our existing tenements.

With the transfer of the Habanero Camp to Beach Energy, Geodynamics continues to minimise its footprint within the Cooper Basin.

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.

ROUNDING

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

SHARE OPTIONS

Unissued shares – employee options

As at the date of this report, there were NIL unissued ordinary shares under employee options (2014 – NIL).

Shares issued as a result of the exercise of employee options

There were no employee options exercised during the financial year (2014 – 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 (2014 – Nil).

Shares issued as a result of the exercise of shareholder options

There were no shareholder options exercised during the financial year (2014 – Nil) or since the end of the financial year.

DIRECTORS' MEETINGS

During the period there were ten directors' meetings held of which seven 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	10	10	-	-	1	1
G. Ward	10	10	-	-	-	-
B. Davies	10	10	2	2	1	1
J. Hamilton	10	8	2	2	-	-
M. Marier	10	8	2	2	-	-
A. Stock	10	10	-	-	1	1
G. Miltenyi	10	9	-	-	-	-

The HSE Committee was suspended in August 2015 due to low levels of field activity. All HSE issues and updates were discussed as an agenda item during formal Board meetings. The HSE Committee will be reinstated when considered appropriate to do so.

DIRECTORS' REPORT (Continued)

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

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

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

Health, Safety & Environment (HSE) Committee – Membership comprises three Non-executive Directors being Messrs Hamilton (Chair), Spence, and Stock with G. Ward as an ex-officio member.

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 2015 financial year, no non-audit services were provided by the entity's auditor, Ernst & Young (2014: \$nil).

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 2015 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 2014/15 (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
R. Davies	Director
J. Hamilton	Director
M. Marier	Director
A. Stock	Director
G. Miltenyi	Director

Executive Directors

G. Ward	Managing Director and CEO
---------	---------------------------

Other Executives

K. Coates	Operations Manager
R. Hogarth	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer & Company Secretary
A. Hodson	Well Engineering and Technology Manager
A. Mills	Project Engineering Team Leader

DIRECTORS' REPORT (Continued)

2. Remuneration governance

Remuneration Committee

The Remuneration & Nominations Committee comprises three Non-executive Directors (NEDs). 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 (CEO) 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

In keeping with the legislation relating to the appointment of remuneration consultants for organisations, Guerdon Associates was appointed by the Chair of the Remuneration and Nominations Committee to provide a formal valuation of the Geodynamics Share Appreciation Rights prior to issue.

Based on the advice provided by Guerdon Associates, Share Appreciation Rights were issued to the Managing Director in accordance with the Long Term Incentive Plan approved by shareholders at the company's Annual General Meeting on Thursday 28 November 2013.

The fees paid to Guerdon Associates for the remuneration recommendations were \$3,597 (2014 - \$44,529).

The Company is satisfied the advice received from Guerdon Associates is free from undue influence from the Managing Director to whom the remuneration recommendations apply as the reports received from Guerdon Associates were presented to the Remuneration and Nominations Committee.

Remuneration Report approval at FY13/14 AGM

The FY13/14 remuneration report received positive shareholder support at the FY13/14 AGM with a vote of 94.8% in favour.

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;
- 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 FY14/15 year, eligible staff must have started by 1 January 2014.

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.

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 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 FY14/15

Company performance and its link to short-term incentives

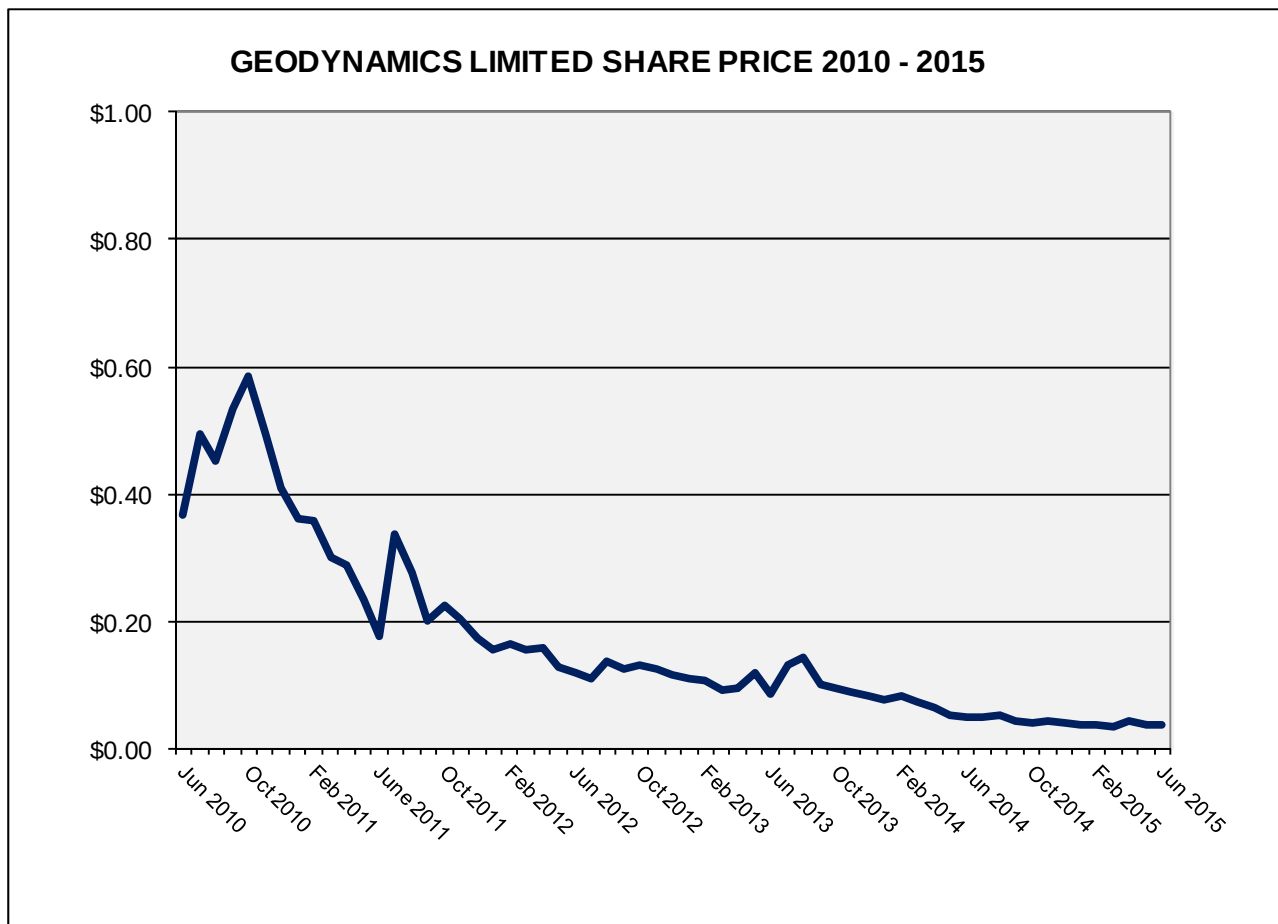
Due to the focus during the year on accelerating our search for profitable growth investments in the clean technology sectors outside of geothermal developments, management and the Board deemed it to be inappropriate to establish milestones under the short term incentive plan.

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.

DIRECTORS' REPORT (Continued)

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: 2010/11 - \$0.43, 2011/12 - \$0.031, 2012/13 - \$0.26, 2013/14 - \$0.03, 2014/15 - \$0.03.



2,428,679 shares vested during the year for nineteen employees who met the vesting hurdle of three years of continuous service. These shares had been issued to employees prior to the termination of the long term incentive plan.

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 2015

	Short-Term		Post Employment	Share Based payment		Total	Performance Related
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares (amortised cost)	SARs ⁵ (amortised cost)		
G. Ward ¹	407,500	0	29,942	17,857	131,805	587,104	25.49%
K. Coates ²	152,885	0	6,771	5,102	0	164,758	3.10%
R. Hogarth ³	151,963	0	8,940	6,255	0	167,158	3.74%
T. Pritchard	259,115	0	22,255	2,373	0	283,743	0.84%
A. Hodson ⁴	92,700	0	1,263	5,104	0	99,067	5.15%
A. Mills	277,678	0	19,271	4,744	0	301,693	1.57%
Totals	1,341,841	0	88,442	41,435	131,805	1,603,523	

1 The share and option amortised cost relate to those shares and options issued to the CEO as approved by shareholders at the November 2011 Annual General Meeting and November 2013 Annual General Meeting respectively.

2 Ceased employment on 30 September 2014

3 Ceased employment on 31 December 2014

4 Ceased employment on 1 August 2014

5 4,862,222 Share Appreciation Rights (SARs) were granted to the CEO during the financial year in accordance with shareholder approval at the Annual General Meeting on 38 November 2013. The SARs were granted in two tranches and the fair value of the respective tranches at grant date were 4.4 cents and 4.9 cents respectively. At 30 June 2015 and for the year then ended none of the SARs granted had vested, issued or lapsed.

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2014

	Short-Term		Post Employment	Share Based payment		Total	Performance Related
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares (amortised cost)	Options (amortised cost)		
G. Ward ¹	466,609	0	4,225	39,583	61,517	571,934	17.68%
K. Coates	293,685	0	17,803	22,027	0	333,515	6.60%
R. Hogarth	314,767	0	21,905	27,005	0	363,677	7.43%
T. Pritchard	265,695	0	15,381	19,329	0	300,405	6.43%
A. Hodson	233,429	0	23,661	21,752	0	278,842	7.80%
A. Mills	252,714	0	20,224	17,358	17,080	307,376	11.20%
Totals	1,826,899	0	103,199	147,054	78,597	2,155,749	

1 The share and option amortised cost relate to those shares and options 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 Geoff Ward was appointed Managing Director on 31 January 2011. Mr Ward's remuneration package is formalised in an open ended contract, the details of which were disclosed in the 2013 Notice of Meeting for the Annual General Meeting on 28 November 2013. The key terms of Mr Ward's contract are as follows:

- He currently receives a base remuneration including superannuation of \$450,000 per annum;
- Short Term Incentive – Up to \$225,000 per annum which is only payable on the achievement of certain performance milestones. Due to the Short Term Incentive Scheme being placed on hold, no incentive payments were made to Mr Ward for FY2015.
- Long term incentive (Share Appreciation Rights) – an annual grant of Share Appreciation Rights (SARs) based on a maximum of 50% of his base remuneration. Performance conditions for the vesting of the SARs at the testing dates is based on growth in the GDY share price. 4,862,222 share appreciation rights were granted during the financial year in accordance with the shareholder approval at the Annual General Meeting on 28 November 2013. The SARs were granted in two tranches and the fair value of the respective tranches at grant date were 4.4 cents and 4.9 cents respectively. At 30 June 2015 and for the year then ended none of the SARs granted had vested, issued or lapsed.

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	12 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 2015 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 base annual remuneration of \$64,500 p.a. with the Chairman paid \$118,250 p.a. The Chairman of each committee receives an additional fee of \$16,125 p.a. As advised in the Quarterly Report for the period ended 31 December 2014 the Directors unanimously agreed to a fifty percent reduction in Board fees while the Company pursues new opportunities. The Directors have agreed to a new fee structure to commence with the downsizing of the Board after the August 2015 meeting. The new fee structure is to pay Non-executive Directors a base annual remuneration of \$50,000 p.a. with the Chairman paid \$65,000 p.a. There are no retirement benefits offered to Non-executive Directors other than statutory superannuation which is in addition to these amounts. 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 collectively Sunsuper Pty Ltd & The Sentient Group are major investors and as such the Director appointed as their Board representative 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 2015 is detailed in Table 3 of this report and the remuneration for the comparative year ending 30 June 2014 is detailed in Table 4 of this report.

Table 3 – Non-executive Directors' Remuneration for the year ended 30 June 2015

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

Table 4 – Non-Executive Directors' Remuneration for the year ended 30 June 2014

	Salary & Consulting Fees	Directors fees	Superannuation	Shares (amortised cost)	Total
K. Spence	-	118,250	10,938	-	129,188
R. Davies	-	80,625	7,458	-	88,083
J. Hamilton	-	88,083	-	-	88,083
M. Marier	-	64,500	5,966	-	70,466
A. Stock	-	80,625	7,458	-	88,083
G. Miltenyi ¹	-	21,500	1,989	-	23,489
Totals	-	453,583	33,809	-	487,392

¹ Appointed 1 March 2014

DIRECTORS' REPORT (Continued)

7. Additional statutory disclosures

Table 5 – Shares granted to executives as part of remuneration for the year ended 30 June 2015

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.

Shares vested to executives for the year ended 30 June 2015.

	Value of shares vested during the year	Value of shares forfeited during the year	Value per share vested at grant date
R. Hogarth	10,877	-	0.200
T. Pritchard	5,661	-	0.057
A. Mills	12,114	-	0.146
G. Ward	16,981	-	0.159

DIRECTORS' REPORT (Continued)

Table 6 - Shareholdings of Key Management Personnel

FY2015	BALANCE AT BEGINNING OF PERIOD 01/07/14	APPOINTMENT S/BECAME KEY MANAGEMENT PERSONNEL	GRANTED AS REMUNER- ATION*	PURCHASED ON MARKET, SHARE PURCHASE PLAN	RESIGNATIONS DISPOSED OF/OTHER / NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/15
Directors						
G. Ward	730,319	-	-	-	-	730,319
R. Davies	120,775	-	-	-	-	120,775
J. Hamilton	481,708	-	-	375,000	-	856,708
M. Marier	-	-	-	-	-	-
K. Spence	212,413	-	-	-	-	212,413
A. Stock	62,315	-	-	-	-	62,315
G. Miltenyi	2,648,152	-	-	-	-	2,648,152
Executives						
K. Coates	401,396	-	-	-	(401,396)	-
R. Hogarth	544,269	-	-	-	-	544,269
T. Pritchard	284,685	-	-	-	-	284,685
A. Hodson	439,439	-	-	-	-	439,439
A. Mills	301,136	-	-	-	-	301,136
Total	6,226,607	-	-	375,000	(401,396)	6,200,211

* Shares granted as remuneration were issued under the Geodynamics Deferred Employee Share Plan and are held in escrow on behalf of the Executive. The Executive is required to remain employed by Geodynamics for 36 months from the date of allocation for the shares to vest.

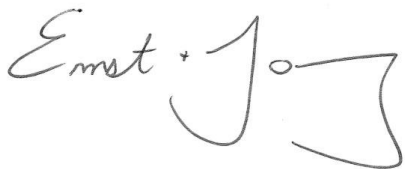
Signed in accordance with a resolution of the Directors.



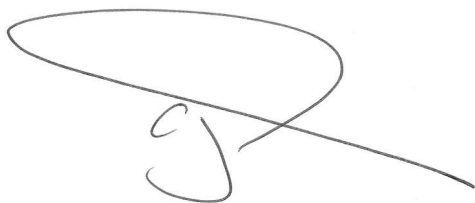
K. Spence
Chairman
Brisbane, 28 August 2015

Auditor's Independence Declaration to the Directors of Geodynamics Limited

In relation to our audit of the financial report of Geodynamics Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Andrew Carrick
Partner
28 August 2015

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 with 2010 Amendments" as revised in June 2010 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 2015 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 2015, 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	7.1 years	Energy, Engineering and Management
Geoff Ward	Managing Director	No	4.6 years	Energy, Engineering, Corporate Finance and Management
Robert Davies	Non-executive Director	Yes	6.8 years	Finance, Governance and Management
Jack Hamilton	Non-executive Director	Yes	8.9 years	Energy, Engineering and Management
Michel Marier	Non-executive Director	No	4.5 years	Finance and Management
Andrew Stock	Non-executive Director	Yes	11.8 years	Energy, Engineering and Management
George Miltenyi	Non-executive Director	Yes	1.5 years	Energy, Management and Employment

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 six 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 performance of all Non-executive Directors is reviewed annually by the Chairman. In addition during the year, all Directors completed a structured self evaluation questionnaire that aimed 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)

Michel Marier

Jack Hamilton

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.

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.

CORPORATE GOVERNANCE STATEMENT (Continued)

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 series of extensive workshop reviews have been held for each component phase of the Company's business plan and these will continue to be held 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. The Board has also established a Health Safety and Environment Committee which operates under a charter approved by the Board.

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 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)

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Health, Safety & Environment (HSE) meetings are held on an as required basis. The Committee is comprised of a Chair drawn from the Non-executives of the Geodynamics Board. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The HSE Committee has been given the following Terms of Reference:

- Its primary objective is to assist the Board of Directors in its responsibilities relating to establishing and maintaining the highest standards of HSE performance by Geodynamics, and compliance with all relevant legislation. In addition the Committee will ensure that Management reports to the Board on:-
 - Compliance with statutory requirements, codes, standards, and guidelines;
 - Establishment of measurable objectives and targets aimed at elimination of work related incidents or environmental impacts from Geodynamics' activities;
 - The defining of roles, responsibilities and levels of accountability for HSE within Geodynamics.
- Act as an independent and objective party to review the safety and environmental performance reports presented by management for the use of all stakeholders.
- Review HSE risk assessment processes and monitor their effectiveness.
- Review all significant Geodynamics incident reports along with the results of the subsequent investigations and the implementation of the identified corrective actions.
- Oversee and appraise the quality of the health & safety and the environmental audits conducted by the HSE auditors.
- Ensure through regular meetings that open lines of communication exist among the Board, Management and HSE Auditors.

The members of the HSE Committee during the year were:

Jack Hamilton (Chairman)

Keith Spence

Andrew Stock

The HSE Committee was suspended during the year due to low levels of field activity. All HSE issues and updates were discussed as an agenda item during formal Board meetings. The HSE Committee will be reinstated when considered appropriate to do so.

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 six 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 other than the Chairman of the Board.

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)

Keith Spence

Robert Davies

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 2015

	Note	2015 \$'000	2014 \$'000
Continuing Operations			
Interest Income		986	1,507
Other Income		2,242	-
Impairment of Property, Plant & Equipment	6	(2,550)	-
Impairment of Deferred Exploration & Evaluation Costs	7	(8,044)	(40)
Personnel expenses	3A	(2,561)	(5,694)
Exploration and Evaluation Expense	3B	(1,998)	(8,425)
Other General & Administrative Expenses	3C	(2,547)	(2,740)
Corporate Expenses Recovered		27	611
Total Expenses		(14,445)	(14,781)
Income/(Loss) before Income Tax Expense		(14,445)	(14,781)
Income Tax Benefit	4	-	-
Income/(Loss) after Income Tax Expense		(14,445)	(14,781)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	12	27	(22)
Other Comprehensive Income for the period		27	(22)
Total Comprehensive Income/(Loss) for the period		(14,418)	(14,803)
Attributable to:			
Equity holders of the Parent		(14,418)	(14,803)
Non-controlling interests		-	-
Basic and Diluted Earnings/(Loss) per share (cents per share)	15	(3.31)	(3.51)
Basic and Diluted Earnings/(Loss) per share attributable to the equity holders of the entity (cents per share)	15	(3.31)	(3.51)

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 2015		2015	2014
	Note	\$'000	\$'000
Current Assets			
Cash Assets	20(A)	28,000	33,815
Inventories – Rig Parts and Well Materials		950	893
Receivables	5	2,375	5,335
Total Current Assets		31,325	40,043
Non Current Assets			
Property, Plant and Equipment	6	1,364	4,127
Deferred Exploration, Evaluation & Development phase costs	7	-	7,390
Total Non Current Assets		1,364	11,517
Total Assets		32,689	51,560
Current Liabilities			
Payables	8	616	4,091
Provisions	9	7,477	3,001
Total Current Liabilities		8,093	7,092
Non Current Liabilities			
Provisions	9	337	6,052
Total Non Current Liabilities		337	6,052
Total Liabilities		8,430	13,144
Net Assets		24,259	38,416
Equity			
Issued Capital	11	348,338	348,338
Other Reserves	12	11,235	10,947
Accumulated Losses		(335,314)	(320,869)
Total Equity		24,259	38,416

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 2015

		2015	2014
	Note	\$'000	\$'000
Cash Flows from/(used in) Operating Activities			
Net Goods and Services Tax received		850	138
Payments to suppliers and employees		(6,549)	(7,798)
Net Interest Received		1,254	1,388
Net cash flows from/(used in) Operating Activities	20(B)	(4,445)	(6,272)
Cash Flows from/(used in) Investing Activities			
Proceeds from Government Grants		-	4,500
Proceeds from R&D Tax Incentive		3,488	8,542
Purchase of Property, Plant & Equipment		(56)	(1,118)
Payments for Exploration and Evaluation expenditure		(6,392)	(14,003)
Cash acquired from KUTh Energy Limited		-	186
Proceeds from sale of property, plant & equipment		1,590	590
Net cash flow (used in) investing activities		(1,370)	(1,303)
Cash Flows from Financing Activities			
Net cash flow provided by financing activities		-	-
Net increase / (decrease) in cash held		(5,815)	(7,575)
Add: Opening cash carried forward		33,815	41,390
Closing cash carried forward	20(A)	28,000	33,815

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 2015	Issued Capital \$'000	Employee Equity Benefits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
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

FINANCIAL YEAR ENDED 30 JUNE 2014

At 1 July 2013	346,083	10,456	-	(306,088)	50,451
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(14,781)	(14,781)
Other comprehensive income	-	-	(22)	-	(22)
Total loss for the period	-	-	(22)	(14,781)	(14,803)
Equity Transactions:					
Issue of Share Capital for the acquisition of KUTh Limited	2,255	-	-	-	2,255
Share based payment on Employee Share Plan	-	337	-	-	337
Cost of share-based payment - recognition of share option expense	-	176	-	-	176
At 30 June 2014	348,338	10,969	(22)	(320,869)	38,416

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 2015 was authorised in accordance with a resolution of the Directors on 28 August 2015.

Geodynamics Limited is a 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 2015.

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 are:

- Annual Improvements to IFRS 2010-2012 Cycle (effective 1 July 2014);
- Annual Improvements to IFRS 2011-2013 Cycle (effective 1 July 2014);
- AASB 1031 *Materiality* (1 July 2014);
- AASB 2013-9 *Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments* Cycle (effective 1 July 2014); and

None of these standards or 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 2015 reporting period. The following new accounting standards and interpretations are not likely to affect future periods:

- AASB2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (effective 1 July 2015);
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective July 2016);
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* (effective 1 July 2016);

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The following are yet to be assessed:

- AASB 9 *Financial Instruments* (effective 1 July 2018) and;
- IFRS 15 *Revenue from Customer Contracts* (effective 1 July 2017).

D. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2015. 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 Geodynamics Limited and its controlled entities listed in the following table:

		Equity Interest %	
Name	Country of Incorporation	2015	2014
Parent Entity			
Geodynamics Limited	Australia	100	100
Directly controlled by Geodynamics Limited			
Geodynamics NT Pty Ltd	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
Directly Controlled by KUTh Energy Limited			
KUTh Exploration Pty Ltd	Australia	100	100
Mineral Ventures Pty Ltd	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 ¹	PNG	50.2	50.2
KUTh Energy (Vanuatu) Ltd	Vanuatu	100	100

- 1 At 30 June 2015 KUTh Energy (PNG) Ltd is substantially dormant. Ongoing administrative costs are incurred by Geodynamics Limited (ultimate parent entity). At 30 June 2015 the non-controlling interest amount is \$nil (2014 - \$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:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

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.

Capitalisation of Deferred Exploration and Evaluation Expenditure & Impairment

The Company determines whether Deferred Exploration and Evaluation Costs are impaired as described by AASB 6 at least on an annual basis. The Company considers whether an area of interest will be subject to further activity in the foreseeable future. Where substantive expenditure on further exploration and evaluation is neither budgeted or planned consideration is given as to whether an impairment cost should be recognised relating specifically to that area of interest.

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 net income. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 restoration 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 Restoration 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 2015.

Geodynamics continues to work with both the Vanuatu and Solomon Islands governments and local utility companies to explore opportunities to further the projects in these countries. As at 30 June 2015 there are no plans for substantive expenditure on further exploration or evaluation of these resources, nor is it clear that the carrying amount of the exploration and evaluation costs associated with these projects are likely to be recovered through successful development or by sale. The Board has therefore impaired the carrying amount of the deferred exploration, evaluation and development costs in respect of these projects to \$nil. In the absence of any agreement to fund or sell these projects this represents the company's best estimate of the fair value less cost to sell of these assets at 30 June 2015. In the scenario where an agreement is reached to fund or sell these projects an impairment reversal may be recorded.

Grants and subsidies (including R&D incentives) relating deferred exploration and evaluation costs are recorded as a reduction in the carrying amount of the associated asset. Grants and subsidies (including R&D incentives) related to exploration and evaluation costs recorded in the Statement of Comprehensive Income are recognised in profit or loss at the same time as the expenses for the costs for which the grant is expected to compensate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment

The carrying values of exploration, evaluation, development and restoration 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.

Restoration costs

Restoration 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 restoration. 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 restoration 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.

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 an individual asset. 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.

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.

L. Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

M. Inventories

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

N. 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.

O. 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.

P. 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.

Q. 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)

R. 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.

S. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. In the case of interest, revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

T. Government Grants

Government grants relating to deferred exploration and evaluation costs are recorded as a reduction in the carrying amount of the associated asset. Government grants relating to expensed exploration and evaluation costs are recorded as an offset against those expenses.

Other Government Grants 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. 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.

U. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. 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.

W. 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.

X. 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. A geographical segment is a distinguishable component of that entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Y. Available for sale securities

Available for sale investments are those non-derivative financial assets, principally equity securities that are designated as available for sale. After initial recognition available for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Z. Joint Arrangements

The Company is also 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 2015 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.

AA. 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)

BB. Fair Value Measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair-value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All asset and liabilities for which fair value is measured or disclosed in the financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1— Quoted (unadjusted) market prices in active markets for identical asset or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statement on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

CC. Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

During the year ended 30 June 2015 Geodynamics only has Financial Assets recognised under "loans and receivables."

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 5.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the groups consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An Impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether Impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of Impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

DD. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging Instruments In an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include only trade and other payables.

The Group has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

EE. Going Concern

Geodynamics' activities are currently non-revenue generating. As such 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 2015, the Directors are satisfied the Company has sufficient cash resources to cover its near term planned expenditure, including cash outflows associated with the proposed acquisition and operation of Quantum Power Limited (refer note 22). 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3A – PERSONNEL EXPENSES

	2015 \$'000	2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Share Plan Expense	129	337
Share Option Expense	-	176
SARs Expense	132	-
Employee Expenses	2,300	5,181
	2,561	5,694

NOTE 3B – EXPLORATION AND EVALUATION COSTS

	2015 \$'000	2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Expenditure for the period	4,211	8,300
Change in Rehabilitation	80	2,157
Proceeds from Government Grants	-	(1,500)
Change in R&D Tax Incentive for 2014 financial year	(1,400)	1,468
R&D Tax Incentive for the 2015 financial year	(893)	(2,000)
	1,998	8,425

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

	2015 \$'000	2014 \$'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment and Amortisation of leasehold improvements	79	522
Interest expense	4	4
Operating lease rentals paid	715	1,143
Foreign exchange loss/(gain)	8	(6)
(Profit)/loss on disposal of property, plant & equipment	12	(1,336)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4 – INCOME TAX

	2015 \$'000	2014 \$'000
Income tax expense		
The prima facie tax benefit on loss of 30% (2014 - 30%) differs from the income tax provided in the financial statements as follows:		
Prima facie tax on loss	(4,334)	(4,434)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D Tax Incentive Receivable	893	2,000
Change in R&D Incentive for the prior year	1,400	(1,468)
Other income/(expenses)	79	156
Income tax benefit attributable to current year losses	(1,962)	(3,746)
Deferred tax asset not brought to account as realisation of the asset is not regarded as probable	1,962	3,746
Income tax benefit attributable to operating loss	-	-

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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax liabilities				
Deferred exploration phase expenditure	-	-	-	-
Deferred evaluation phase expenditure ³	-	-	-	-
Other deferred tax liability	(93)	(199)	-	-
Deferred tax assets				
Losses available for offset against future taxable income			-	-
Company ²	77,765	76,527		
Subsidiary ³	1,142	1,142		
Other deferred tax asset	2,346	2,944	-	-
Net deferred tax assets	81,160	80,414		
Deferred tax asset for tax losses not recognised ¹	(81,160)	(80,414)		
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 2015.

2 The Company's tax losses for the 2014 financial year (reported above) have been adjusted to reflect the income tax return lodged during the 2015 financial year.

3 The subsidiary tax losses were acquired as part of the acquisition of KUTh Energy 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 its 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)

	2015 \$'000	2014 \$'000
GST Receivable	90	295
Interest Receivable	76	432
Other Receivables	2,209	4,608
	2,375	5,335

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

The other receivables balance represents an amount receivable in relation to recoupment of costs for remediation activities as well as an estimate of the amount due under the R&D Tax Incentive Scheme relating to expenditure incurred during the year ended 30 June 2015.

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

	2015 \$'000	2014 \$'000
Plant and Equipment at cost	23,587	25,370
Less: accumulated depreciation and impairment	(22,223)	(21,243)
Total Property, Plant and Equipment	1,364	4,127
Reconciliation of Plant & Equipment		
Carrying amount at beginning	4,127	3,962
Additions	25	1,352
Disposals	(1,810)	(1,450)
Impairment *	(2,550)	-
Depreciation/Amortisation Expense	(79)	(522)
Depreciation written back on disposal of assets	1,651	785
Carrying amount at the end	1,364	4,127

* Impairment of Property Plant & Equipment

While the technical appraisal of the resource and trial of the 1MWe Pilot Plant has been successful and provides proof of concept, the development of EGS geothermal resources in Australia remains a long term challenge requiring significant capital investment and extension of infrastructure.

The Company is planning to complete remediation activities at the Cooper Basin site over the next financial year. Part of this planning includes the removal of surface infrastructure and its associated disposal. Whereas it is expected that there may be some residual value in this equipment it is not possible to accurately estimate the value at this time due to the unique nature of the equipment, the limited market for disposal, and the costs for transportation from site for disposal. The Board has therefore impaired the carrying value of the property plant and equipment at the Habanero site to nil being an estimate of the fair value less costs of disposal at 30 June 2015. If a more favourable outcome is achieved through disposal an impairment reversal can be recorded.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 – DEFERRED EXPLORATION AND EVALUATION COSTS

	2015 \$'000	2014 \$'000
Exploration Phase	-	-
Evaluation Phase	-	7,390
Total	-	7,390
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	7,390	1,177
Add: Evaluation assets acquired as part of KUTH transaction	-	2,485
Add: Evaluation & Development expenditure for period	654	3,768
Less: Impairment of Evaluation & Development expenditure	(8,044)	(40)
Carrying amount at the end	-	7,390

The carrying amount of deferred exploration and evaluation costs decreased during the year due to impairment of the Pacific Islands projects.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective geothermal exploration tenements.

Geodynamics continues to work with both the Vanuatu and Solomon Islands governments and local utility companies to explore opportunities to further the projects in these countries. As at 30 June 2015 there are no plans for substantive expenditure on further exploration or evaluation of these resources, nor is it clear that the carrying amount of the exploration and evaluation costs associated with these projects are likely to be recovered through successful development or by sale. The Board has therefore impaired the carrying amount of the deferred exploration, evaluation and development costs in respect of these projects to \$nil. In the absence of any agreement to fund or sell these projects this represents the company's best estimate of the fair value less cost to sell of these assets at 30 June 2015. In the scenario where an agreement is reached to fund or sell these projects an impairment reversal may be recorded.

The decision to impair does not change Geodynamics' intention to continue to negotiate in good faith with third parties to progress these projects.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8 – ACCOUNTS PAYABLE

	2015 \$'000	2014 \$'000
Current		
Trade Creditors	252	2,293
Accrued Liabilities	364	1,798
Trade creditors and accruals	616	4,091

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	Restoration Provision \$'000	Make Good Provision \$'000	Total Provisions \$'000
At 1 July 2014	1,318	7,486	249	9,053
Arising during the year	101	2,637	-	2,738
Utilised	(1,171)	(2,557)	(249)	(3,977)
At 30 June 2015	248	7,566	-	7,814
Current 2015	111	7,366	-	7,477
Non current 2015	137	200	-	337
	248	7,566	-	7,814
Current 2014	1,102	1,899	-	3,001
Non current 2014	216	5,587	249	6,052
At 30 June 2014	1,318	7,486	249	9,053

The restoration provision relates to the ultimate restoration of the Habanero 1, Habanero 4, Jolokia 1, and Savina 1 sites including the wells themselves (permanent plugs), the monitoring wells and water supply pipeline routes.

Bank guarantees totalling \$290,000 are held to cover South Australian, NSW and Tasmanian 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.

	2015 \$'000	2014 \$'000
	Amortised Cost	Amortised Cost
Financial Assets		
Cash and Cash Equivalents	28,000	33,815
Receivables	2,375	5,335
	30,375	39,150
Financial Liabilities		
Payables	616	4,091
	616	4,091

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 2015 or 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11 – ISSUED CAPITAL

	2015 \$'000	2014 \$'000
Authorised Shares		
435,880,130 (2014 – 435,880,130) fully paid ordinary shares	348,338	348,338

MOVEMENT IN ORDINARY SHARE CAPITAL:		NUMBER OF SHARES	\$'000
30/06/14	Balance end of financial year	435,880,130	348,338
	NIL Movement		
30/06/15	Balance end of financial year	435,880,130	348,338

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 2015, there were no unissued ordinary shares under shareholder options (2014 – 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 2015 (2014 – Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12 – RESERVES

	2015 \$'000	2014 \$'000
Deferred Employee Share Plan Reserve	3,591	3,462
Employee Share Option Reserve	7,507	7,507
Employee SARs Reserve	132	-
Foreign Currency Translation Reserve	5	(22)
	11,235	10,947
Reconciliation of Reserves		
Carrying amount at beginning	10,947	10,456
Recognition of Share Plan Expense – Transfer from Contributed Equity	-	-
Recognition of Share Plan Expense	129	337
Recognition of Share Option Expense	-	176
Recognition of SARs Expense	132	-
Recognition of Foreign Currency Translation Reserve	27	(22)
	11,235	10,947

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. 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. 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 the New South Wales, South Australian, Queensland and Tasmania Mines Departments. Also included are fees for Solomon Islands licenses. 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:

	2015 \$'000	2014 \$'000
Payable not later than one year	259	245
Operating Leases (non-cancellable)		
Payable not later than one year	71	1,127
Later than one year but not later than five years	8	18
	79	1,145
Other Commitments (Open Purchase Orders)	443	1,423

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 2015.

NOTE 14 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

	2015 \$'000	2014 \$'000
Provision for Annual Leave (current)	111	455
Provision for Long Service Leave (current)	-	-
Provision for Time off in Lieu	-	72
Provision for Terminations	-	576
Provision for Long Service Leave (non-current)	137	215
	248	1,318

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	258	507
---	-----	-----

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. 4,862,222 share appreciation rights were granted during the financial year in accordance with the shareholder approval at the Annual General Meeting on 28 November 2013. Performance conditions for the vesting of the SARs at the testing dates are based on growth in the GDY share price.

	ISSUE DATE	EARLIEST VESTING DATE	NUMBER OF SARs	WEIGHTED AVERAGE ISSUE PRICE
Balance at beginning of year			-	-
- granted	20/10/14	01/09/15	2,580,274	\$0.44
	20/10/14	01/09/16	2,281,948	\$0.49
- transferred to employees or forfeited			-	-
Balance at end of year			4,862,222	
Vested & Exercisable at end of year			-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Information with respect to the number of options granted under the EOP is as follows:

	2015		2014	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	-	-	6,828,319	\$0.39
Granted during the year	-	-	-	-
- lapsed or forfeited	-	-	2,887,463	\$0.39
- cancelled	-	-	3,940,856	\$0.40
Balance at end of year	-	-	-	-
Options that vested during the period	-	-	-	-
Vested & Exercisable at end of year	-	-	-	-

Options exercised

There were no options exercised by employees during the year ended 30 June 2015.

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2015:

GRANT DATE	NUMBER OPTIONS	TYPE	EXPIRY DATE	EXERCISE PRICE
	All options cancelled as part of the termination of the Long Term Incentive Plan			
TOTAL	-			-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred Employee Share Plan (DESP)

The shares are issued for a term of three years. The shares are valued using fair value at the date of grant which is deemed to be the five day volume weighted average share price at the date of grant.

Information with respect to the number of shares granted under the DESP is as follows:

	2015		2014	
	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE
Balance at beginning of year	4,934,093	\$0.11	3,119,681	\$0.30
- granted	-	-	3,490,087	\$0.06
- transferred to employees or forfeited	(4,934,093)	\$0.11	(1,675,675)	\$0.37
Balance at end of year	-	-	4,934,093	\$0.11
Vested & Exercisable at end of year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 15 - EARNINGS PER SHARE

	2015 \$'000	2014 \$'000
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)	(3.31)	(3.51)
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)	(14,445)	(14,781)
Weighted average number of ordinary shares used in calculation of basic earnings per share	435,880,130	421,547,416

NOTE 16 - SEGMENT INFORMATION

The Company operates in one segment, being geothermal energy exploration and evaluation.

The Company's areas of operation are currently located in Australia, the Solomon Islands and Vanuatu (Pacific Islands). With the expansion of the Company's activities outside of Australia in the 2015 financial year, the Company has disclosed a geographic split of non-current assets as at 30 June 2015 (comparative information has also been reported).

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.

Geographic Split of Non Current Assets

Year Ended 30 June 2015	Pacific	Australia	Consolidated
Property Plant & Equipment	1,243	121	1,364
Deferred Exploration and Evaluation	-	-	-
Total Non Current Assets	1,243	121	1,364

Year Ended 30 June 2014	Pacific	Australia	Consolidated
Property Plant & Equipment	1,332	2,795	4,127
Deferred Exploration and Evaluation	7,390	-	7,390
Total Non Current Assets	8,722	2,795	11,517

The Company's revenue represent interest on cash and cash equivalents and is all generated in the Australian geographic segment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17 – REMUNERATION OF AUDITORS

	2015 \$	2014 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity	69,000	83,500
Other assurance services	-	5,000
	69,000	88,500

NOTE 18 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

DIRECTORS

K. Spence	Chairman (non-executive)
G. Ward	Managing Director & CEO
R. Davies	Director (non-executive)
J. Hamilton	Director (non-executive)
M. Marier	Director (non-executive)
A. Stock	Director (non-executive)
G. Miltenyi	Director (non-executive)

EXECUTIVES

K. Coates ¹	Operations Manager
R. Hogarth ²	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer
A. Hodson ³	Well Engineering & Technology Manager
A. Mills	Project Engineering Team Leader

1 Ceased employment on 30 September 2014

2 Ceased employment on 31 December 2014

3 Ceased employment on 1 August 2014

Compensation of Key Management Personnel

	2015 \$	2014 \$
Short-term employee benefits	1,665,673	2,280,482
Post-employment benefits	114,313	137,008
Share based payment	173,240	225,651
	1,953,226	2,643,141

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19 – RELATED PARTY DISCLOSURES

The Metasource (Woodside) environmental credits off take rights

In 2002 Metasource committed by an Agreement to subscribe for 10,443,392 fully paid ordinary shares as a pre-IPO investor in the Company's August 2002 Prospectus. Under the terms of that Agreement Metasource has the right to participate pro rata to its then current shareholding in any further issue of equity in Geodynamics at the price payable by other parties at the time and Metasource has a right to nominate a person to be appointed as a director of Geodynamics.

On 31 March 2004 the Company announced that it had executed an Environmental Credits Off take Deed with Metasource which formalises Metasource's rights to Environmental Credits. Metasource or its nominee has the right to procure all of the environmental credits which arise from 50% (capped at 1,300 GWh/year) of the power generated by Geodynamics' power plant(s). 37.5% of the Environmental Credits can be sold to Metasource at full market price with the balance of 12.5% of the Environmental Credits assigned to Metasource without separate consideration. The term for the purchase of Environmental Credits commenced on 8 April 2004 and ends on the earlier of:

- (a) 10 years after the commissioning of the first commercial power plant with capacity exceeding 250 megawatts;
- (b) 20 years after the Company achieves commissioning of EGS plants with a combined sales capacity exceeding 250 megawatts; or
- (c) 80 years after the date of the contract.

The Origin Energy environmental credits and power off take rights

On 5 August 2003, Geodynamics executed an Investment Deed with Origin Energy Limited wherein the parties agreed to enter into a strategic alliance under which Origin would subscribe for 10,000,000 shares in Geodynamics. Under the terms of the Investment Deed, Origin Energy has a right of participation in future share issues pro rata to its then percentage shareholding in Geodynamics and Origin has a right to nominate a person to be appointed as a director of Geodynamics.

On 29 April 2005, Geodynamics executed a Heads of Agreement (HOA) with Origin Energy Electricity Limited (Origin) under which, at the time final contracts are entered into, the parties will enter into a power purchase agreement (PPA) and Renewable Energy Certificate purchase agreement (RPA). Under the terms of the PPA, Origin will have the right to purchase 50% of the power generated by Geodynamics (capped at 1300 GWh/year) from any power plant that is connected to a transmission system at a discount of 5% to the then market price. The term of the PPA will commence on the first generation of power by Geodynamics from any power plant that is connected to a transmission system and end 10 years after the commissioning of Geodynamics first large commercial power plant (being a power plant which has a nominal rated capacity of 200 MW or more);

Under the terms of the RPA, Origin will have the right to purchase any Renewable Energy Certificates (RECs) and/or environmental credits (ECs) arising from 47.5% of all power generated by Geodynamics at market price (up to a maximum of the number of RECs and ECs arising from the generation of 1300 GWh of power which qualify for the issue of RECs or ECs in each year). In addition a further 2.5% of the RECs and/or ECs will be assigned to Origin without separate consideration. The RPA will start on the first generation of power by Geodynamics and will end 10 years after the commissioning date of Geodynamics first large commercial power plant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Origin Energy Joint Operations

In December 2007, shareholders approved a farmin with Origin Energy (Origin) on the Innamincka "Deeps" EGS geothermal resource. In the subsequent 24 month period, Origin contributed \$105.6m to project costs in addition to its own 30% share of project expenditure to satisfy the terms of the farmin. The resulting Joint Operation is known as the Innamincka "Deeps" Joint Venture and sees Geodynamics as Operator with a 70% project interest and Origin with a 30% project interest. Although named 'Joint Venture' the arrangement is accounted for as a Joint Operation. The Joint Operations assets comprise the South Australian geothermal tenements and all property plant and equipment in the Cooper Basin including the drilling rigs.

In February 2010, Geodynamics announced that it had agreed to enter into a second joint operation with Origin to explore for shallow geothermal resources on existing Joint Operation licence areas in the Eromanga Basin in South Australia.

The Innamincka "Shallows" Joint Venture focuses on the exploration of shallow hot sedimentary aquifers (HSA) down to approximately 3,000 m depth, as distinct from the existing "Deeps" Joint Venture with Origin, which focuses on higher temperature enhanced geothermal systems (EGS) in the deeper granites generally below 4,000 m. The participating interests in the "Shallows" Joint Venture are Origin as Operator with a 50% interest and Geodynamics with a 50% interest. At 30 June 2014, Origin Energy Limited, held 15,454,119 fully paid ordinary shares in Geodynamics representing 3.6% of its issued capital.

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint operations effective 30 June 2013. The result being Geodynamics hold a 100% interest in the Deeps and Shallows joint ventures as at 1 July 2013.

The Kentor Energy 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.

Under the terms of the agreement, Geodynamics is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project ("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.

In April 2013 Geodynamics fulfilled its commitments under Stage One of the Earn-In by releasing a Savo Island Inferred Geothermal Resource Assessment and became entitled to the initial 25% in the Savo Island Geothermal Power Project.

The Sentient/Sunsuper investment

On 10 April 2008, Geodynamics announced that The Sentient Group (Sentient) and Sunsuper Pty Ltd (Sunsuper) had agreed to become joint cornerstone investors in Geodynamics. It had been agreed that Sentient and Sunsuper would collectively subscribe for 11.8% of the Company's then current issued share capital or 25 million fully paid ordinary shares in Geodynamics at an issue price of \$1.50 per share. In addition, one attaching unquoted placement option exercisable at \$2.00 per share for every two Shares issued (i.e. 12.5 million options) and expiring 28 February 2009 would be issued. An extraordinary general meeting of shareholders was convened on 29 May 2008 and unanimously approved the placement.

As part of the investment, Sentient and Sunsuper have the right to collectively appoint a Non-executive Director to the Board of Geodynamics. Sentient and Sunsuper are collectively required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Pieter Britz was appointed to the Board on 25 June 2008 as the director representative under this condition. He resigned as a Director on 24 February 2011 and Mr Michel Marier was appointed as his replacement on the same date under that condition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In March 2010, Sentient and Sunsuper purchased a combined total 14,974,385 fully paid ordinary shares in Geodynamics representing 5.2% of its issued capital. This occurred in an off market transaction thereby increasing their respective holdings by 7,784,592 and 7,189,793 shares. The substantial shareholder notices lodged at the time by both Sentient and Sunsuper showed that Sentient held 20,284,592 fully paid ordinary shares in Geodynamics representing 7.0% of its issued capital and Sunsuper held 19,689,793 fully paid ordinary shares in Geodynamics representing 6.8% of its issued capital.

In December 2011, Sentient and Sunsuper purchased a combined total of 20,000,000 fully paid ordinary shares in Geodynamics representing 5.9% of its issued capital. This was part of a share placement and increased their respective holdings by 10,000,000 shares each. The substantial shareholder notices lodged at the time by both Sentient and Sunsuper showed that Sentient held 30,284,592 fully paid ordinary shares in Geodynamics representing 8.33% of its issued capital and Sunsuper held 29,999,999 fully paid ordinary shares in Geodynamics representing 8.25% of its issued capital.

At 30 June 2015 Sentient and Sunsuper held 6.95% of Geodynamics issued capital

The Tata Power investment

On 4 September 2008, Geodynamics announced that The Tata Power Company Limited (Tata Power) had agreed to become a cornerstone investor in the Company. It had been agreed that Tata Power would subscribe for 11.4% of the Company's then current issued share capital or 29.4 million fully paid ordinary shares in Geodynamics at an issue price of \$1.50 per share. In addition, one attaching unquoted placement option exercisable at \$2.25 per share for every two Shares issued (i.e. 14.7 million options) and expiring 28 February 2009 would be issued. At the Annual General Meeting held on 20 November 2008 shareholders approved the placement and attaching options issue.

As part of the investment, Tata Power has the right to appoint a Non-executive Director to the Board of Geodynamics. Tata Power is required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Minesh Dave was appointed to the Board on 23 February 2012 as the director representative under this condition. At 30 June 2013, Tata Power through its subsidiary Trust Energy Resources, held 29,400,000 fully paid ordinary shares in Geodynamics representing 7.2% of its issued capital. Mr Minesh Dave retired from the Board on 29 November 2012 and, due to the Tata shareholding being below the required level of 10%, was not replaced.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 20 - NOTES TO THE CASH FLOW STATEMENT	2015 \$'000	2014 \$'000
(A) Reconciliation of Cash		
Cash is defined in Note 2K to this financial report. Cash balance comprises:		
Cash on Hand	-	-
Cash at Bank	466	890
Bank Bills and Term Deposits	27,534	32,925
Total Cash	28,000	33,815
(B) Reconciliation of the operating loss after tax with the net cash flows used in operations		
Loss after income tax	(14,445)	(14,781)
Depreciation and amortisation	79	522
Net (profit)/loss on disposal of property, plant & equipment	220	(1,538)
Share Option Valuation Expense	-	176
Shares issued under Deferred Employee Share Plan	129	337
SARs issued under the	132	
Exploration and Evaluation Cost treated as an investing activity	1,998	8,425
Impairment of Property Plant & Equipment	2,550	-
Impairment of Exploration & Evaluation Costs	8,044	40
Changes in Assets & Liabilities		
(Increase)/decrease in receivables and prepayments	1,063	(477)
Increase/(decrease) in other creditors and accruals	(2,919)	(393)
(Increase)/decrease in inventories	(57)	(704)
Increase/(decrease) in general provisions	(1,239)	2,121
Net Cash Flow used in Operating Activities	(4,445)	(6,272)
(C) Non-Cash Financing and Investing Activities. During the year nil (2014 – nil) fully paid ordinary shares were issued in consideration of professional services rendered by external consultants to the Company in the ordinary course of business.		

NOTE 21 – 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bank guarantees totalling \$290,000 are held to cover South Australian, New South Wales and Tasmanian governments' tenement rehabilitation obligations. A bank guarantee totalling \$37,597 is held by the landlord for the lease of the Brisbane office premises.

NOTE 22 – SUBSEQUENT EVENTS

On 14 July 2015 Geodynamics announced that the company had made an all scrip offer to acquire Quantum Power Limited. Further to this the Company announced the lodgement of the Bidders Statement on 5 August 2015. The Offer period opened on 10 August 2015 and will close on 11 September 2015 unless extended.

There has not arisen between 30 June 2015 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 23 – 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) Interest rate risk

The Company's exposure to interest rate risks primarily relates to the Company's funds held on term deposit. The Company has no debt obligations. At balance date, the Company had the following mix of financial assets and liabilities exposed to interest rate risk:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	28,000	33,815

The Company's policy is to place funds in interest-bearing deposits that are surplus to immediate requirements. The Company's interest rate exposure is reviewed near the maturity date of term deposits to assess whether more attractive interest rates are available without increasing risk.

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
+1%	280	338	280	338
-0.5%	(140)	(169)	(140)	(169)

The movements in the loss and equity are due to higher/(lower) interest income from cash balances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(B) 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 2015 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.

(C) Foreign Currency Risk

During the course of its business activities, the Company has had some transactional currency exposures, principally to the US dollar. Such exposure arises from purchases in currencies other than the Company's functional currency. The Company enters into forward currency contracts to hedge some of these exposures due to the length and size of the currency exposure. They generally relate to the purchase of capital assets or major material purchases. Conversely, the purchase of foreign currency operational supplies and services are generally not hedged due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Approved foreign exchange derivatives are limited to foreign exchange forward contracts and foreign exchange swaps (i.e. simultaneous purchase and forward sale) with tenors of less than 12 months except for long lead time capital items where the tenor shall be as specified under the contract.

Contractually agreed or committed (i.e. Board approval received) foreign currency exposures in excess of the equivalent of AUD 500,000 payable within 12 months are to be fully covered. In addition, contracted capital items with a foreign currency exposure in excess of the equivalent of AUD 500,000 payable beyond 12 months are to be fully covered.

Exposures of less than the equivalent of AUD 500,000 will not normally be covered, as the business risk of not covering these is considered negligible (due to the short time between supply and payment).

It is the Company's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

During the year ended 30 June 2015 the Company did not enter into any forward currency contracts.

At 30 June 2015, the Company had the following exposures to foreign currency that is not designated in cash flow hedges:

	2015 \$'000	2014 \$'000
Financial Liabilities		
Trade and other payables	11	273
Derivatives	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
+10%	1	25	1	25
-5%	(1)	(14)	(1)	(14)

The movements in profit and equity in 2015 are less sensitive than in 2014 due to the lower value of the financial liabilities.

- Significant assumptions used in the foreign currency exposure sensitivity analysis include:
- Reasonably possible movements in foreign exchange rates were determined based on a review of the last years historical movements.
- The reasonably possible movement of 10% was calculated by taking the relevant foreign currency spot rates as at balance date, moving those spot rates by 10% and then re-converting back into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Company.

(D) 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:

	2015 \$'000	2014 \$'000
6 months or less	716	4,091

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 24 – INTEREST IN JOINT OPERATIONS

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. 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 2015 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 arrangement is accounted for as a Joint Operation. The joint operations with Origin Energy Limited were formed to explore and evaluate enhanced geothermal systems in 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2015 \$'000	2014 \$'000
Current Assets	32,559	45,752
Total Assets	32,680	51,556
Current Liabilities	8,085	7,067
Total Liabilities	8,423	13,119
Contributed Equity	348,338	348,338
Accumulated Losses	(335,312)	(320,870)
Other Reserves	11,231	10,969
	24,257	38,437
Profit or loss of the Parent entity	(14,604)	(14,781)
Total comprehensive income of the Parent entity	(14,604)	(14,781)

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 2015.

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 2015 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 2015.

On behalf of the Board.



K. Spence

Chairman

Brisbane 28 August 2015

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 2015, 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 judgement, 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.

Opinion

In our opinion:

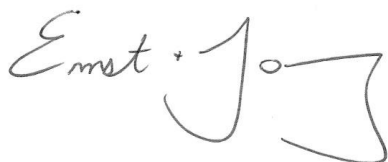
- a. the financial report of Geodynamics Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian 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 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Andrew Carrick
Partner
Brisbane
28 August 2015