

# *ASX Announcement*

**29 August 2016**

## **Company Update**

Geodynamics Limited (ASX:GDY) is pleased to provide a Company update and further explanation on the Preliminary Final Report and Audited Financial Report for the year ending 30 June 2016 which have been released today.

Geodynamics is well positioned to enter the next stage of its transition to a clean energy product and service company. The Company has ceased all geothermal energy development projects and materially completed the plug and abandonment of wells and remediation activities in the Cooper Basin resulting in significant de-risking of the balance sheet.

The acquisition of Quantum Power, a leader in biogas to energy services for the agribusiness sector, has provided a platform for growth and has opened up further opportunities as a service provider in the agribusiness sector. A review of the business development pipeline indicated that project rollout will be slower than originally anticipated. Further, an increase in capital costs and recent media in relation to the uncertainty around Federal Government grant programs has led Quantum Power, in consultation with its customers, to suspend the Goulburn and Mindarra biogas projects in their current format. These developments have resulted in a non-cash impairment charge against the goodwill of the Quantum Power Business.

The Company continues its search for acquisitions and complementary investments that will support its objective of delivering innovative clean energy products and services to its customers, creating sustainable value for shareholders.

## **Financial Results**

The Company reported a closing cash balance of \$14.41 million for the year ending 30 June 2016. A large proportion of the cash outlay for the financial year was attributable to the remediation activities in the Cooper Basin and the rectification and performance improvement works to Quantum Power EPC projects. The completion of these activities during FY17 will see a significant reduction in expenditure, in the absence of new projects.

Geodynamics reported a loss of \$10.56 million for the year, down from a loss of \$14.45 million the previous year. The loss includes a non recurring impairment charge to the Quantum Power goodwill and to the assets held for sale totaling \$4.69 million.

Post the completion of remediation activities Geodynamics will be preparing an R&D tax incentive claim. It is anticipated that claim will be in the order of \$3.47 million and should be received by the end of the calendar year.

A review of projects in development at the time of the Quantum Power acquisition, and rate of conversion of projects in the business development pipeline to active projects resulted in a decision to record a pre tax non-cash impairment charge of \$3.10 million to goodwill.

Together with a decrease in the Company's liabilities and a de-risked balance sheet Geodynamics is well positioned to pursue investment and acquisition opportunities.

## **Geothermal**

The remediation of the Cooper Basin has been a key focus for the Company. Geothermal wells Celsius 1, Jolokia 1, Savina 1, Habanero 1 and Habanero 2 are all plugged and abandoned with surface remediation completed. Habanero 3 and Habanero 4 are currently undergoing monitoring after having the cement plugs set. Plans for the final well barrier, surface plug and well cap for Habanero 3 and 4 are in place and will be executed once the monitoring period is successfully completed.

The remaining surface remediation of the Cooper Basin site, removal of power lines and the transfer of various operating assets to third parties is expected to be completed this calendar year.

The remaining liability for the Cooper Basin Remediation work is estimated to be \$0.8 million out of a total program of approximately \$10 million. Net of Origin Energy contribution and R&D tax, Geodynamics outstanding contribution is approximately \$0.3 million.

Geodynamics has implemented the exit of all interests in the Pacific Islands geothermal projects. There are no material financial liabilities associated with these projects.

## **Quantum Power**

Since the acquisition in September 2015, Quantum Power has completed the EPC projects which were in progress at the time of the acquisition, with the exception of minor outstanding items.

Our ongoing engagement with the agribusiness community and our business development activities, indicate that there is strong interest and opportunities to develop biogas to energy projects, and to expand this offering to include solar and hybrid renewable energy generation. Whilst it is clear the agribusiness sector represents a growing market opportunity, the projects have a long gestation period and project rollout will be slower than originally anticipated.

Quantum Power progressed planning, approvals and tendering for the Goulburn and Mindarra Biogas Projects. As previously reported the capital cost of the projects is forecast to be higher than originally estimated and in the case of the Mindarra project has been further increased by high connection costs to enable export to the grid. Quantum Power sought grant funding for these early stage projects however in

light of recent announcements regarding policy changes to key Federal Government grant programs, the availability of grant funding is increasingly uncertain. Without grant funding these two projects will not meet the targeted investment returns. As a result, following consultation with our customers, work on these projects has been suspended until there is certainty on grant funding availability. Quantum Power will continue to work with the owners of the facilities on options for clean energy supply.

## **Ongoing Communication**

Given the change in focus and nature of the Company's activities, Geodynamics has elected to cease issuing Quarterly Activities Reports. The reports were a voluntary communication that the Company commenced during a period of high activity associated with the geothermal exploration program, during which the additional communication was more appropriate. As the Company continues to explore investment opportunities and develops its Quantum Power business we will continue to keep shareholders updated of any material events through the issue of ASX announcements. As always we are happy to receive shareholder enquiries through the [info@geodynamics.com.au](mailto:info@geodynamics.com.au) email.

For further information, please check our website ([www.geodynamics.com.au](http://www.geodynamics.com.au)) or contact Mr Christopher Murray on + 61 7 3721 7500. Media and investor inquiries may also be directed to Friederike Graser, on +61 7 3721 7588.



**Christopher Murray**  
**Managing Director and Chief Executive Officer**

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