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ASX Announcement

28 November 2013

2013 Annual General Meeting – Chairman’s Address

Address to shareholders by Mr Keith Spence, at Geodynamics Limited’s Annual General Meeting in Brisbane on 28 November 2013.

Welcome, ladies and gentlemen to the 2013 Geodynamics AGM. It is a great pleasure to address you this evening.

The 2013 year has been an important one for Geodynamics, and I’d like to take a moment to highlight two particular achievements which marked significant milestones in our Company’s development.

The first major milestone included both the successful completion of Habanero 4, and commissioning of the 1 MWe Habanero Pilot Plant in April 2013.

The commissioning of the pilot plant comes after a decade of field based research, exploration and development, which has included drilling six deep high pressure, high temperature geothermal wells. The successful demonstration of our EGS technology through the plant trial is remarkable not only in Australia, but on the world stage.

Results of the trial have generated a great deal of interest both in Australia and from overseas. For a project which has consistently pushed the boundaries of conventional drilling and engineering, we are absolutely delighted to have achieved this milestone with an excellent safety and environmental record.

To see so much work come together is rewarding and is testament to the team’s technical experience, operational ability and resilience. It is also a tribute to the many long term shareholders who have shown great support and loyalty over a number of years and whose belief in this project has allowed Geodynamics to persevere with a visionary program.

The second major milestone was the acquisition of Geodynamics’ first international

project in the Solomon Islands. As we announced at around this time last year, we have agreed to acquire up to 70% of the Savo Island Geothermal Power Project. This is a high quality conventional geothermal project well positioned to supply the growing demand for power in the city of Honiara, the capital city of the Solomon Islands, and the project is progressing well.

In April, we released results of an initial feasibility study and a positive inferred resource assessment showing that we have the potential to develop a 10 - 20 MW project on Savo Island based on a high quality shallow geothermal resource. This project could potentially deliver power to customers by the end of 2017 and is significant because it offers Geodynamics a clear path to becoming a geothermal producer in the near to medium term.

Your CEO, Geoff Ward, will review these positive operational results in greater detail in his presentation.

As with many companies that break new ground, Geodynamics has faced its share of challenges too, and as we work towards bringing our vision of geothermal energy to life, we've had to respond to external changes and adjust our strategy accordingly.

At last year's AGM, I reported to shareholders the significant market trends which have made the development of new large scale renewable power projects in Australia very challenging. The trends we observed last year have continued during 2013. The Australian electricity market has witnessed a fourth year of decline in electricity demand, following a 50 year period of consecutive annual increases. This decline can be attributed to a number of factors including structural changes in the Australian economy, an increased focus on energy efficiency, changed customer behaviour in response to significant price increases and the rapid and substantial deployment of distributed generation via solar PV systems.

There is now broad consensus that Australia will not require additional new baseload generation capacity until at least after 2022. This is in stark contrast to estimates by the Australian Energy Market Operator released just four years ago indicating that we would require between 3,000 – 5,000 MW of new generation capacity by 2017.

The surplus baseload capacity and depressed wholesale electricity price outlook mean that the window of opportunity to introduce EGS generated power into the National Electricity Market has moved further into the future. There are, however, some encouraging small scale, niche opportunities emerging in the Cooper Basin area. I will say more about this shortly.

There is no doubt that 2013 has been a challenging year for renewable energy companies in Australia. Political uncertainty, followed by a change in Government, has affected investor sentiment significantly. Although we have confidence in the value and role of geothermal energy, both here and globally, uncertainty around renewable energy policy and funding continues to take the shine off the industry here in Australia.

Within our operations, this year saw Origin Energy take the decision to withdraw from the Innamincka Deeps Joint Venture as part of focusing their resources on the completion of their APLNG project. We gratefully acknowledge their significant contribution to the development of the Cooper Basin project, noting Origin's support was instrumental in drilling Habanero 4.

In light of current market conditions and having completed our current investment program at Habanero, the Board took a difficult but necessary decision to write down the carrying value of our Cooper Basin assets by \$88.8 million as required by Australian Accounting Standards. This is an accounting change only. It does not reflect any change to our cash position, nor does it change our view that the Cooper Basin EGS geothermal resource has the potential to play a material role in Australia's long term energy economy.

Your Board has continued to look closely at what the structural changes to the energy market mean for Geodynamics. This has led us to develop and pursue a three pronged strategy, and we are positive that our work in these areas will continue to position the Company well to meet these challenges now and into the future.

The first element of our strategy is to secure local customers for an initial small scale commercial operation at Habanero supplying power or industrial heat as the next step for development. The emergence of the potential for significant shale gas developments in the Cooper Basin will create a demand for power and also heat to assist in the removal of carbon dioxide, which is present in shale gas in significant quantities. Based on the results of our recent trial, we intend to put forward a proposal for the supply of 5 - 10 MW of electrical power and/or 30 – 50 MW of geothermal heat. We have already received interest from a number of parties and we will be focused on further engagement to agree an offtake supporting further project development this year.

The second element of our strategy is to grow our portfolio through the acquisition of high quality, small-to-medium conventional geothermal projects that can be quickly and profitably developed. This strategy is designed to provide a clear path to generating positive, near term returns to shareholders, using and building our geothermal expertise, while maintaining a longer term development focus on the Cooper Basin project.

Our first step towards achieving this goal was the acquisition of the Savo Island Geothermal Power Project. The second, which we announced recently, is our intention to acquire 100% of geothermal energy peer company, KUTh Energy Limited, through a conditional off-market takeover offer. As of close of business last night we have received acceptances totalling 85% of the issued shares in KUTh. Successful completion of the offer would add the Takara Geothermal Project in Vanuatu to our portfolio, as well as exploration permit applications in PNG and Fiji.

The third and final element of our strategy is to maintain a strong focus on making the company as financially strong and self-sufficient as possible, in order to avoid the need for capital raisings. During the year we made further strides in this area, through the sale of Rig 200, the receipt of

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\$22.2 million under the Research & Development Tax Rebate and an ongoing focus on cost reduction. We remain securely funded with \$41.4 million of cash reserves as at 30 June 2013 and with the major spending commitments related to deep drilling in the Cooper Basin now complete.

For the year ahead, Geodynamics has an exciting program of activities and clear goals, guided by these three strategic themes. We are here for the long term, committed to providing Australia with a safe, sustainable and clean energy source for the future. However, we are also focused on the near-term, ensuring we have the sustaining revenue and momentum to bring our vision to life.

We thank you, our investors, for your ongoing support, as well as our staff members, who continue to work tirelessly to achieve our goals. As always, we appreciate your feedback on our activities. With that, I'd like to now hand over to your Managing Director and CEO, Geoff Ward.

End of Address

For further information, please check our website (www.geodynamics.com.au) or contact Mr Geoff Ward on + 61 7 3721 7500. Media and investor inquiries may also be directed to Mrs Meredith Bird, Corporate Affairs Manager on +61 7 3721 7581.

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

Geoff Ward
Managing Director and Chief Executive Officer

— ends —